



**Dave Yost • Auditor of State**

**City of Eastlake  
Lake County, Ohio**

**General Purpose External Financial Statements  
For the Year Ended December 31, 2015**

**Local Government Services Section**

**City of Eastlake, Ohio**  
*Basic Financial Statements*  
For the Year Ended December 31, 2015  
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**City of Eastlake, Ohio**  
*Basic Financial Statements*  
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# Dave Yost • Auditor of State

Members of Council  
City of Eastlake  
35150 Lakeshore Boulevard  
Eastlake, Ohio 44095

## Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of the City of Eastlake as of and for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

The Schedules of the City's Proportionate Share of Net Pension Liability and the Schedules of the City's Contributions are not part of the basic financial statements but the Governmental Accounting Standards Board requires their presentation to supplement the basic financial statement. We have compiled these schedules without audit or review and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this information.

DAVE YOST  
Auditor of State

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

Unice S. Smith  
Chief of Local Government Services

May 27, 2016

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**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Financial highlights for 2015 are as follows:

- During 2015, the City issued 835,000 in general obligation bonds to refund bonds previously issued in 2005 to take advantage of lower interest rates.
- The City continues to focus on the maintenance and repair of sidewalks and streets. The City is working on repairs to Willowick Drive.

### **Using This Annual Financial Report**

This discussion and analysis is intended to serve as an introduction to the City of Eastlake's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The statement of net position and statement of activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

### ***The City of Eastlake as a Whole***

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**City of Eastlake, Ohio**  
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The statement of net position presents information on all of the City of Eastlake's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between all the elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Eastlake is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax evaluation and the condition of the City's assets.

The statement of activities presents information showing how the government's net position changed during the recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eastlake that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Eastlake include general government, security of persons and property (police and fire), public health services, leisure time activities, community environment, basic utility services and transportation. Business-type activities include sanitary sewer and storm water operations.

***Reporting the City's Most Significant Funds***

**Fund Financial Statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eastlake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Eastlake can be divided into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year.

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

The City of Eastlake maintains twenty-seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, general bond retirement debt service fund and the road improvement capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
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The City of Eastlake adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

**Proprietary Funds** The City of Eastlake's proprietary funds are the sanitary sewer and storm water enterprise funds. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** The City uses agency funds to account for the employee payroll withholdings and deductions, insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, construction deposits, and Lake County water collections. The City assigns an agency fund to account for these receipts and disbursements.

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

**The City as a Whole**

As noted earlier, the statement of net position looks at the City as a whole. The following table provides a summary of the City's net position for 2015 compared to 2014.

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and Other Assets	\$7,949,220	\$8,992,176	\$4,362,498	\$4,080,398	\$12,311,718	\$13,072,574
Capital Assets, Net	34,182,814	35,211,448	4,537,563	4,455,139	38,720,377	39,666,587
<b>Total Assets</b>	<b>42,132,034</b>	<b>44,203,624</b>	<b>8,900,061</b>	<b>8,535,537</b>	<b>51,032,095</b>	<b>52,739,161</b>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding Pension	518,601	533,357	0	0	518,601	533,357
	1,516,915	1,007,244	50,967	39,961	1,567,882	1,047,205
<b>Total Deferred Outflows of Resources</b>	<b>2,035,516</b>	<b>1,540,601</b>	<b>50,967</b>	<b>39,961</b>	<b>2,086,483</b>	<b>1,580,562</b>
<b>Liabilities</b>						
Current Liabilities	599,558	842,209	22,025	65,624	621,583	907,833
Long-Term Liabilities						
Due Within One Year	1,375,306	1,395,671	22,623	83,093	1,397,929	1,478,764
Due in More Than One Year	12,555,359	13,417,234	150,452	142,999	12,705,811	13,560,233
Net Pension Liability	11,442,127	10,832,204	327,597	320,197	11,769,724	11,152,401
<b>Total Liabilities</b>	<b>25,972,350</b>	<b>26,487,318</b>	<b>522,697</b>	<b>611,913</b>	<b>26,495,047</b>	<b>27,099,231</b>
<b>Deferred Inflows of Resources</b>						
Property Tax	2,421,002	2,191,302	0	0	2,421,002	2,191,302
Pension	35,354	0	5,755	0	41,109	0
<b>Total Deferred Inflows of Resources</b>	<b>2,456,356</b>	<b>2,191,302</b>	<b>5,755</b>	<b>0</b>	<b>2,462,111</b>	<b>2,191,302</b>
<b>Net Position</b>						
Net Investment in Capital Assets	22,151,604	22,050,102	4,416,066	4,264,671	26,567,670	26,314,773
Restricted for:						
Capital Projects	869,937	831,824	0	0	869,937	831,824
Other Purposes	1,240,019	1,318,466	0	0	1,240,019	1,318,466
Unrestricted (Deficit)	(8,522,716)	(7,134,787)	4,006,510	3,698,914	(4,516,206)	(3,435,873)
<b>Total Net Position</b>	<b>\$15,738,844</b>	<b>\$17,065,605</b>	<b>\$8,422,576</b>	<b>\$7,963,585</b>	<b>\$24,161,420</b>	<b>\$25,029,190</b>

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed that follow, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

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As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$26,890,565 to \$17,065,605 for governmental activities and from \$8,243,821 to \$7,963,585 for business type activity.

Total net position for governmental activities showed a decrease from 2014. This was largely due to decreases in income taxes as well as depreciation outpacing capital outlays

Total net position for business-type activities saw an increase due to increased revenue from billings.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year.

**Table 2**  
*Change in Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$1,175,923	\$1,504,736	\$2,503,891	\$2,273,244	\$3,679,814	\$3,777,980
Operating Grants and Contributions	1,162,901	1,159,657	0	0	1,162,901	1,159,657
Capital Grants and Interest	83,223	390,776	0	0	83,223	390,776
<b>Total Program Revenues</b>	<b>2,422,047</b>	<b>3,055,169</b>	<b>2,503,891</b>	<b>2,273,244</b>	<b>4,925,938</b>	<b>5,328,413</b>
General Revenues						
Property Taxes	2,469,890	2,068,966	0	0	2,469,890	2,068,966
Income Taxes	5,402,035	6,586,023	0	0	5,402,035	6,586,023
Hotel Taxes	55,760	24,069	0	0	55,760	24,069
Permissive MVL Taxes	179,653	146,016	0	0	179,653	146,016
Grants and Entitlements	1,431,691	1,459,221	0	137,743	1,431,691	1,596,964
Franchise Taxes	289,251	276,659	0	0	289,251	276,659
Interest	8,598	8,264	0	0	8,598	8,264
Unrestricted Contributions	31,831	43,862	0	0	31,831	43,862
Loss on Disposal of Assets	0	(4,380)	0	0	0	(4,380)
Other	80,624	30,481	0	0	80,624	30,481
<b>Total General Revenues</b>	<b>9,949,333</b>	<b>10,639,181</b>	<b>0</b>	<b>137,743</b>	<b>9,949,333</b>	<b>10,776,924</b>
<b>Total Revenues</b>	<b>\$12,371,380</b>	<b>\$13,694,350</b>	<b>\$2,503,891</b>	<b>\$2,410,987</b>	<b>\$14,875,271</b>	<b>\$16,105,337</b>

(continued)

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Table 2**  
*Change in Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Program Expenses</b>						
General Government	\$3,218,760	\$3,254,927	\$0	\$0	\$3,218,760	\$3,254,927
Security of Persons and Property	6,172,632	5,969,607	0	0	6,172,632	5,969,607
Public Health Services	149,635	155,388	0	0	149,635	155,388
Transportation	1,904,991	2,135,904	0	0	1,904,991	2,135,904
Community Environment	219,551	253,273	0	0	219,551	253,273
Basic Utility Services	987,830	1,116,612	0	0	987,830	1,116,612
Leisure Time Activities	623,600	896,381	0	0	623,600	896,381
Interest and Fiscal Charges	424,268	558,605	0	0	424,268	558,605
Sanitary Sewer	0	0	1,950,273	1,892,587	1,950,273	1,892,587
Storm Water	0	0	91,501	46,316	91,501	46,316
<b>Total Program Expenses</b>	<b>13,701,267</b>	<b>14,340,697</b>	<b>2,041,774</b>	<b>1,938,903</b>	<b>15,743,041</b>	<b>16,279,600</b>
Increase (Decrease) in Net Position						
Before Transfers	(3,751,934)	3,982,480	462,117	100,840	36,105,961	36,642,520
Transfers	3,126	0	(3,126)	0	0	0
<b>Change in Net Position</b>	<b>(1,326,761)</b>	<b>(644,160)</b>	<b>458,991</b>	<b>469,897</b>	<b>(867,770)</b>	<b>(174,263)</b>
Net Position Beginning of Year	17,065,605	N/A	7,963,585	N/A	25,029,190	N/A
<b>Net Position End of Year</b>	<b>\$15,738,844</b>	<b>\$17,065,605</b>	<b>\$8,422,576</b>	<b>\$7,963,585</b>	<b>\$24,161,420</b>	<b>\$25,029,190</b>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,047,205 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,174,370. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expense under GASB 68	\$13,701,267	\$2,041,774	\$15,743,041
Pension expense under GASB 68	(1,138,734)	(35,636)	(1,174,370)
2015 contractually required contribution	1,003,128	33,487	1,036,615
<b>Adjusted 2015 program expenses</b>	<b>13,565,661</b>	<b>2,039,625</b>	<b>15,605,286</b>
Total 2014 program expenses under GASB 27	14,340,697	1,938,903	16,279,600
<b>Increase (Decrease) in program expenses not related to pension</b>	<b>(\$775,036)</b>	<b>\$100,722</b>	<b>(\$674,314)</b>

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***Governmental Activities***

Several revenue sources fund governmental activities with City municipal income tax being the largest contributor. The City has a current municipal income tax rate of 2 percent and grants a 2 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of general revenue for governmental activities. The City collects 3 mills of inside millage and has approved 5.3 mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, and a .5 mill fire levy. The 1.8 mill operating levy was renewed by the voters during 2012. The .5 mill fire levy was renewed by the voters in the November 2010 election. The City is constantly reviewing its fee structure to insure that all fees constitute a fair charge for the cost of providing government services. During 2015, property taxes increased from the previous year due to an increase in delinquent property taxes the City is expecting to receive. Municipal income taxes saw a decrease from 2014 due to loss of key businesses in 2015, as well as the City writing off delinquent income taxes they do not expect to receive. Grants and entitlements decreased as a result of small decrease in local government funding received.

Program expenses decreased from 2014 levels. General government expenses decreased due to decreases in personnel costs due to attrition. Security of persons and property costs increased primarily as a result of increase pension costs for the fire department. Transportation expenses decreased due to the conclusion of street projects in 2015. In order to continue to keep costs down, the City is closely monitoring its expenses and keeping a tight budget.

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

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

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$3,218,760	(\$2,991,884)	\$3,254,927	(\$2,902,352)
Security of Persons and Property	6,172,632	(5,485,624)	5,969,607	(5,199,066)
Public Health Services	149,635	(138,749)	155,388	(139,282)
Transportation	1,904,991	(1,031,785)	2,135,904	(877,853)
Community Environment	219,551	(203,283)	253,273	(228,626)
Basic Utility Services	987,830	(545,195)	1,116,612	(698,439)
Leisure Time Activities	623,600	(458,432)	896,381	(681,305)
Interest and Fiscal Charges	424,268	(424,268)	558,605	(558,605)
<b>Total</b>	<b>\$13,701,267</b>	<b>(\$11,279,220)</b>	<b>\$14,340,697</b>	<b>(\$11,285,528)</b>

***Business-Type Activities***

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Revenues for 2015 increased due to an increase in collections. The expenses increased slightly.

**City of Eastlake, Ohio**  
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**Governmental Funds Financial Analysis**

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found on page 18 and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, general bond retirement debt service fund and the road improvement capital projects fund. The general fund revenues exceeded expenditures for the year after transfers out are included, as the result of revenues decreasing from the previous year at a smaller rate compared to the decrease in expenditures. The decrease in expenditures is due to continued cost-cutting measures implemented by the City. The general bond retirement saw a decrease in fund balance as a result of the City making larger long term debt payments. The road improvement capital projects fund had a decrease in fund balance as a result of increased contracts for continued road improvement projects.

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2015, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for additional funds to cover overtime and union wage adjustments. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. There was a decrease in revenues from the final budget to actual due to less property taxes and municipal income taxes received than expected. There was a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to continue its financial recovery.

**Capital Assets and Debt Administration**

**Capital Assets**

Table 4 shows 2015 balances of capital assets as compared to 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$7,001,655	\$7,044,735	\$75,556	\$75,556	\$7,077,211	\$7,120,291
Construction in Progress	327,036	387,656	0	0	327,036	387,656
Land Improvements	12,864,864	13,230,545	0	0	12,864,864	13,230,545
Buildings and Improvements	4,131,612	3,862,451	1,793,193	1,853,300	5,924,805	5,715,751
Machinery and Equipment	1,169,621	1,225,768	584,233	495,581	1,753,854	1,721,349
Vehicles	1,714,245	1,882,956	138,836	69,292	1,853,081	1,952,248
Infrastructure	6,973,781	7,577,337	1,945,745	1,961,410	8,919,526	9,538,747
<b>Total Capital Assets</b>	<b>\$34,182,814</b>	<b>\$35,211,448</b>	<b>\$4,537,563</b>	<b>\$4,455,139</b>	<b>\$38,720,377</b>	<b>\$39,666,587</b>

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

For 2015, the primary additions for governmental activities included the rehabilitation improvements to Erieview Drive, Kalene Court, Willowick Drive and other road repairs. The City reclassified land as assets held for resale during 2015. The City completed road repairs on Erieview Drive and Kalene Court.

There were additions to machinery and equipment, vehicles and sewer infrastructure but no disposals from business-type activities in 2015. Additional information concerning the City's capital assets can be found in Note 10 to the basic financial statements.

**Debt**

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$12,387,842	\$13,461,727	\$0	\$0	\$12,387,842	\$13,461,727
OPWC Loans	249,685	274,316	121,497	129,012	371,182	403,328
ODOT Payable	0	32,952	0	0	0	32,952
Capital Leases	0	0	0	61,456	0	61,456
Compensated Absences	1,265,580	1,001,035	51,578	35,624	1,317,158	1,036,659
Workers' Compensation Liability	27,558	42,875	0	0	27,558	42,875
Net Pension Liability	11,442,127	10,832,204	327,597	320,197	11,769,724	11,152,401
<b>Total</b>	<b>\$25,372,792</b>	<b>\$25,645,109</b>	<b>\$500,672</b>	<b>\$546,289</b>	<b>\$25,873,464</b>	<b>\$26,191,398</b>

At December 31, 2015, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds, 2014 Capital Facility Bonds, 2013 Capital Facilities Refunding Bonds, 2011 Various Purpose Refunding Bonds and 2015 City Hall Refunding Bonds. During 2015, the City issued \$835,000 in new bonds to refund bonds previously issued in 2005. The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital projects revenues.

In addition to the debt discussed above, the City's long-term obligations also include compensated absences, workers' compensation liability and pension. Additional information concerning debt issuances can be found in Note 15 to the basic financial statements.

**Current Related Financial Activities**

The City maintains a careful watch over its financial operations. This, coupled with an improving economy, should help the City continue to remain financially strong. In addition, the City of Eastlake has a strong internal control system, and has implemented even more stringent budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the Citizens of Eastlake with full disclosure of the financial position of the City.

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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**Contacting the City of Eastlake's Financial Management**

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Eastlake, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

**City of Eastlake, Ohio**  
*Statement of Net Position*  
*December 31, 2015*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,886,271	\$3,464,853	\$5,351,124
Accounts Receivable	177,012	778,200	955,212
Intergovernmental Receivable	1,004,917	0	1,004,917
Municipal Income Taxes Receivable	1,705,282	0	1,705,282
Hotel Taxes Receivable	2,266	0	2,266
Franchise Taxes Receivable	72,380	0	72,380
Permissive Motor Vehicle Taxes Receivable	71,109	0	71,109
Prepaid Items	90,918	0	90,918
Materials and Supplies Inventory	34,383	532	34,915
Property Taxes Receivable	2,889,682	0	2,889,682
Special Assessments Receivable	0	118,913	118,913
Assets Held for Resale	15,000	0	15,000
Nondepreciable Capital Assets	7,328,691	75,556	7,404,247
Depreciable Capital Assets, Net	26,854,123	4,462,007	31,316,130
<i>Total Assets</i>	<u>42,132,034</u>	<u>8,900,061</u>	<u>51,032,095</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding Pension	518,601	0	518,601
	1,516,915	50,967	1,567,882
<i>Total Deferred Outflows of Resources</i>	<u>2,035,516</u>	<u>50,967</u>	<u>2,086,483</u>
<b>Liabilities</b>			
Accounts Payable	142,115	4,142	146,257
Contracts Payable	107,523	0	107,523
Accrued Wages	79,464	4,760	84,224
Matured Compensated Absences Payable	25,224	0	25,224
Intergovernmental Payable	171,572	13,123	184,695
Accrued Interest Payable	73,660	0	73,660
Long-Term Liabilities:			
Due Within One Year	1,375,306	22,623	1,397,929
Due In More Than One Year	12,555,359	150,452	12,705,811
Net Pension Liability	11,442,127	327,597	11,769,724
<i>Total Liabilities</i>	<u>25,972,350</u>	<u>522,697</u>	<u>26,495,047</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	2,421,002	0	2,421,002
Pension	35,354	5,755	41,109
<i>Total Deferred Inflows of Resources</i>	<u>2,456,356</u>	<u>5,755</u>	<u>2,462,111</u>
<b>Net Position</b>			
Net Investment in Capital Assets	22,151,604	4,416,066	26,567,670
Restricted for:			
Capital Projects	869,937	0	869,937
State Highway	59,556	0	59,556
Street Maintenance	567,804	0	567,804
Permissive Motor Vehicle Tax	147,081	0	147,081
Public Safety Grants	121,070	0	121,070
Recreation and Land Acquisition	174,424	0	174,424
Other Purposes	170,084	0	170,084
Unrestricted (Deficit)	(8,522,716)	4,006,510	(4,516,206)
<i>Total Net Position</i>	<u>\$15,738,844</u>	<u>\$8,422,576</u>	<u>\$24,161,420</u>

See accountant's compilation report

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Interest
<b>Governmental Activities:</b>				
Current:				
General Government	\$3,218,760	\$226,876	\$0	\$0
Security of Persons and Property	6,172,632	395,848	274,818	16,342
Public Health Services	149,635	10,886	0	0
Transportation	1,904,991	16,248	790,077	66,881
Community Environment	219,551	16,268	0	0
Basic Utility Services	987,830	442,635	0	0
Leisure Time Activities	623,600	67,162	98,006	0
Interest and Fiscal Charges	424,268	0	0	0
<i>Total Governmental Activities</i>	<u>13,701,267</u>	<u>1,175,923</u>	<u>1,162,901</u>	<u>83,223</u>
<b>Business-Type Activities:</b>				
Sanitary Sewer	1,950,273	2,407,910	0	0
Storm Water	91,501	95,981	0	0
<i>Total Business-Type Activities</i>	<u>2,041,774</u>	<u>2,503,891</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u><u>\$15,743,041</u></u>	<u><u>\$3,679,814</u></u>	<u><u>\$1,162,901</u></u>	<u><u>\$83,223</u></u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Police Pension

Fire Pension

Fire Operations

Roads

Municipal Income Tax Levied for General Purposes

Hotel Taxes

Permissive Motor Vehicle License Taxes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Unrestricted Contributions

Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

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

*Net Position End of Year*

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,991,884)	\$0	(\$2,991,884)
(5,485,624)	0	(5,485,624)
(138,749)	0	(138,749)
(1,031,785)	0	(1,031,785)
(203,283)	0	(203,283)
(545,195)	0	(545,195)
(458,432)	0	(458,432)
(424,268)	0	(424,268)
<u>(11,279,220)</u>	<u>0</u>	<u>(11,279,220)</u>
0	457,637	457,637
0	4,480	4,480
<u>0</u>	<u>462,117</u>	<u>462,117</u>
<u>(11,279,220)</u>	<u>462,117</u>	<u>(10,817,103)</u>
1,110,557	0	1,110,557
157,041	0	157,041
112,522	0	112,522
112,521	0	112,521
152,350	0	152,350
824,899	0	824,899
5,402,035	0	5,402,035
55,760	0	55,760
179,653	0	179,653
1,431,691	0	1,431,691
289,251	0	289,251
8,598	0	8,598
31,831	0	31,831
80,624	0	80,624
<u>9,949,333</u>	<u>0</u>	<u>9,949,333</u>
3,126	(3,126)	0
<u>9,952,459</u>	<u>(3,126)</u>	<u>9,949,333</u>
(1,326,761)	458,991	(867,770)
<u>17,065,605</u>	<u>7,963,585</u>	<u>25,029,190</u>
<u>\$15,738,844</u>	<u>\$8,422,576</u>	<u>\$24,161,420</u>

See accountant's compilation report

**City of Eastlake, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2015*

	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$318,185	\$83	\$410,547	\$1,110,817	\$1,839,632
Accounts Receivable	177,012	0	0	0	177,012
Intergovernmental Receivable	551,533	9,965	39,441	403,978	1,004,917
Municipal Income Taxes Receivable	1,705,282	0	0	0	1,705,282
Hotel Taxes Receivable	0	0	0	2,266	2,266
Franchise Taxes Receivable	72,380	0	0	0	72,380
Permissive Motor Vehicle Taxes Receivable	0	0	0	71,109	71,109
Prepaid Items	68,480	0	0	22,438	90,918
Materials and Supplies Inventory	6,275	0	17,798	10,310	34,383
Property Taxes Receivable	1,337,815	180,094	941,363	430,410	2,889,682
Assets Held for Resale	15,000	0	0	0	15,000
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents in Segregated Accounts	46,639	0	0	0	46,639
<i>Total Assets</i>	<u>\$4,298,601</u>	<u>\$190,142</u>	<u>\$1,409,149</u>	<u>\$2,051,328</u>	<u>\$7,949,220</u>
<b>Liabilities</b>					
Accounts Payable	\$85,294	\$0	\$27,484	\$29,337	\$142,115
Contracts Payable	0	0	107,523	0	107,523
Accrued Wages	75,792	0	0	3,672	79,464
Matured Compensated Absences Payable	25,224	0	0	0	25,224
Intergovernmental Payable	157,304	0	2,283	11,985	171,572
<i>Total Liabilities</i>	<u>343,614</u>	<u>0</u>	<u>137,290</u>	<u>44,994</u>	<u>525,898</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	1,124,942	157,252	769,285	369,523	2,421,002
Unavailable Revenue	1,199,195	32,807	211,519	381,853	1,825,374
<i>Total Deferred Inflows of Resources</i>	<u>2,324,137</u>	<u>190,059</u>	<u>980,804</u>	<u>751,376</u>	<u>4,246,376</u>
<b>Fund Balances</b>					
Nonspendable	136,394	0	17,798	32,748	186,940
Restricted	0	83	273,257	1,222,210	1,495,550
Assigned	30,432	0	0	0	30,432
Unassigned	1,464,024	0	0	0	1,464,024
<i>Total Fund Balances</i>	<u>1,630,850</u>	<u>83</u>	<u>291,055</u>	<u>1,254,958</u>	<u>3,176,946</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,298,601</u>	<u>\$190,142</u>	<u>\$1,409,149</u>	<u>\$2,051,328</u>	<u>\$7,949,220</u>

See accountant's compilation report

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2015*

<b>Total Governmental Funds Balances</b>	<b>\$3,176,946</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,182,814
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds:	
Delinquent Property Taxes	468,680
Intergovernmental	683,013
Municipal Income Taxes	545,884
Charges for Services	79,646
Permissive Sales Tax	48,151
Total	1,825,374
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(73,660)
Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	518,601
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(12,387,842)
OPWC Loans Payable	(249,685)
Compensated Absences Payable	(1,265,580)
Claims Payable	(27,558)
Total	(13,930,665)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Ourflows - Pension	1,516,915
Net Pension Liability	(11,442,127)
Deferred Inflows - Pension	(35,354)
Total	(9,960,566)
<i>Net Position of Governmental Activities</i>	<b>\$15,738,844</b>

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

**City of Eastlake, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2015*

	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,007,253	\$149,968	\$733,685	\$353,564	\$2,244,470
Municipal Income Taxes	6,228,511	0	0	0	6,228,511
Hotel Taxes	0	0	0	55,760	55,760
Permissive Motor Vehicle Taxes	0	0	0	152,896	152,896
Intergovernmental	1,426,015	19,929	67,273	1,075,585	2,588,802
Charges for Services	572,279	0	0	0	572,279
Fees, Licenses and Permits	272,424	0	0	160,233	432,657
Franchise Taxes	289,251	0	0	0	289,251
Fines and Forfeitures	107,463	0	0	14,275	121,738
Interest	8,176	0	0	422	8,598
Rentals	0	0	0	324,275	324,275
Contributions and Donations	31,831	0	0	0	31,831
Other	41,312	0	15,000	24,312	80,624
<i>Total Revenues</i>	<u>9,984,515</u>	<u>169,897</u>	<u>815,958</u>	<u>2,161,322</u>	<u>13,131,692</u>
<b>Expenditures</b>					
Current:					
General Government	3,162,458	2,272	0	0	3,164,730
Security of Persons and Property	5,006,068	0	0	519,978	5,526,046
Public Health Services	149,635	0	0	0	149,635
Transportation	230,318	0	57,202	1,045,142	1,332,662
Community Environment	200,869	0	0	7,384	208,253
Basic Utility Services	73,497	0	0	0	73,497
Leisure Time Activities	279,916	0	0	108,071	387,987
Capital Outlay	0	0	773,346	280,327	1,053,673
Debt Service:					
Principal Retirement	0	1,105,000	24,631	0	1,129,631
Interest and Fiscal Charges	0	395,024	0	0	395,024
<i>Total Expenditures</i>	<u>9,102,761</u>	<u>1,502,296</u>	<u>855,179</u>	<u>1,960,902</u>	<u>13,421,138</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>881,754</u>	<u>(1,332,399)</u>	<u>(39,221)</u>	<u>200,420</u>	<u>(289,446)</u>
<b>Other Financing Sources (Uses)</b>					
General Obligation Refunding Bonds Issued	0	835,000	0	0	835,000
Payment to Refunded Bond Escrow Agent	0	(821,845)	0	0	(821,845)
Transfers In	0	1,300,352	3,126	14,400	1,317,878
Transfers Out	(868,752)	0	0	(446,000)	(1,314,752)
<i>Total Other Financing Sources (Uses)</i>	<u>(868,752)</u>	<u>1,313,507</u>	<u>3,126</u>	<u>(431,600)</u>	<u>16,281</u>
<i>Net Change in Fund Balances</i>	13,002	(18,892)	(36,095)	(231,180)	(273,165)
<i>Fund Balances Beginning of Year</i>	<u>1,617,848</u>	<u>18,975</u>	<u>327,150</u>	<u>1,486,138</u>	<u>3,450,111</u>
<i>Fund Balances End of Year</i>	<u>\$1,630,850</u>	<u>\$83</u>	<u>\$291,055</u>	<u>\$1,254,958</u>	<u>\$3,176,946</u>

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

**City of Eastlake, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2015*

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**Net Change in Fund Balances - Total Governmental Funds** (\$273,165)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlays	858,586	
Depreciation	(1,844,140)	
Total	(985,554)	(985,554)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal. (43,080)

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

Property Taxes	225,420	
Municipal Income Taxes	(826,476)	
Intergovernmental	89,013	
Charges for Services	(275,026)	
Permissive Sales Tax	26,757	
Total	(760,312)	(760,312)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,951,476

Other financing sources and uses in the governmental funds, such as general obligation bonds, decreased long-term liabilities in the statement of net position. (835,000)

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

Accrued Interest	3,472	
Amortization of Accounting Loss	(31,601)	
Amortization of Discount	(1,115)	
Total	(29,244)	(29,244)

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

ODOT Payable	32,952	
Compensated Absences	(264,545)	
Claims	15,317	
Total	(216,276)	(216,276)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows. 1,003,128

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,138,734)

*Change in Net Position of Governmental Activities* (\$1,326,761)

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

**City of Eastlake, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,007,253	\$1,143,309	\$1,007,253	(\$136,056)
Municipal Income Taxes	6,294,940	7,224,059	6,134,649	(1,089,410)
Intergovernmental	1,464,271	1,680,393	1,426,985	(253,408)
Charges for Services	596,598	622,663	548,146	(74,517)
Fees, Licenses and Permits	280,907	322,368	273,754	(48,614)
Franchise Taxes	295,454	339,063	287,931	(51,132)
Fines and Forfeitures	110,271	126,547	107,463	(19,084)
Interest	8,390	9,628	8,176	(1,452)
Contributions and Donations	38,200	38,200	31,831	(6,369)
Other	29,404	31,726	41,312	9,586
<i>Total Revenues</i>	10,125,688	11,537,956	9,867,500	(1,670,456)
<b>Expenditures</b>				
Current:				
General Government	3,280,404	3,268,802	3,048,698	220,104
Security of Persons and Property	5,350,494	5,427,994	5,204,054	223,940
Public Health Services	149,635	149,635	149,635	0
Transportation	429,809	433,309	348,550	84,759
Community Environment	236,236	236,236	208,939	27,297
Basic Utility Services	79,000	79,000	73,497	5,503
Leisure Time Activities	363,344	344,194	294,233	49,961
<i>Total Expenditures</i>	9,888,922	9,939,170	9,327,606	611,564
<i>Excess of Revenues Over Expenditures</i>	236,766	1,598,786	539,894	(1,058,892)
<b>Other Financing Uses</b>				
Transfers Out	(868,752)	(868,752)	(868,752)	0
<i>Net Change in Fund Balance</i>	(631,986)	730,034	(328,858)	(1,058,892)
<i>Fund Balance Beginning of Year</i>	285,877	285,877	285,877	0
Prior Year Encumbrances Appropriated	359,218	359,218	359,218	0
<i>Fund Balance End of Year</i>	\$13,109	\$1,375,129	\$316,237	(\$1,058,892)

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

**City of Eastlake, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2015*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Assets</b>			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,362,739	\$102,114	\$3,464,853
Accounts Receivable	778,200	0	778,200
Materials and Supplies Inventory	532	0	532
<i>Total Current Assets</i>	<u>4,141,471</u>	<u>102,114</u>	<u>4,243,585</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	118,913	0	118,913
Nondepreciable Capital Assets	75,556	0	75,556
Depreciable Capital Assets, Net	4,462,007	0	4,462,007
<i>Total Noncurrent Assets</i>	<u>4,656,476</u>	<u>0</u>	<u>4,656,476</u>
<i>Total Assets</i>	<u>8,797,947</u>	<u>102,114</u>	<u>8,900,061</u>
<b>Deferred Outflows of Resources</b>			
Pension	50,967	0	50,967
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts Payable	2,463	1,679	4,142
Accrued Wages	4,760	0	4,760
Intergovernmental Payable	13,123	0	13,123
Compensated Absences Payable	15,108	0	15,108
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>42,969</u>	<u>1,679</u>	<u>44,648</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	36,470	0	36,470
OPWC Loan Payable	113,982	0	113,982
Net Pension Liability	327,597	0	327,597
<i>Total Long-Term Liabilities</i>	<u>478,049</u>	<u>0</u>	<u>478,049</u>
<i>Total Liabilities</i>	<u>521,018</u>	<u>1,679</u>	<u>522,697</u>
<b>Deferred Inflows of Resources</b>			
Pension	5,755	0	5,755
<b>Net Position</b>			
Net Investment in Capital Assets	4,416,066	0	4,416,066
Unrestricted	3,906,075	100,435	4,006,510
<i>Total Net Position</i>	<u>\$8,322,141</u>	<u>\$100,435</u>	<u>\$8,422,576</u>

See accountant's compilation report

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Funds  
For the Year Ended December 31, 2015*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Operating Revenue</b>			
Charges for Services	\$2,402,260	\$95,981	\$2,498,241
Tap-In Fees	5,650	0	5,650
<i>Total Operating Revenues</i>	<u>2,407,910</u>	<u>95,981</u>	<u>2,503,891</u>
<b>Operating Expenses</b>			
Personal Services	364,137	21,468	385,605
Contractual Services	1,415,602	70,033	1,485,635
Materials and Supplies	9,930	0	9,930
Depreciation	159,012	0	159,012
<i>Total Operating Expenses</i>	<u>1,948,681</u>	<u>91,501</u>	<u>2,040,182</u>
<i>Operating Income</i>	459,229	4,480	463,709
<b>Non-Operating Expenses</b>			
Interest and Fiscal Charges	(1,592)	0	(1,592)
<i>Income Before Transfers</i>	457,637	4,480	462,117
Transfers Out	(3,126)	0	(3,126)
<i>Change in Net Position</i>	454,511	4,480	458,991
<i>Net Position Beginning of Year - Restated (See note 3)</i>	<u>7,867,630</u>	<u>95,955</u>	<u>7,963,585</u>
<i>Net Position End of Year</i>	<u><u>\$8,322,141</u></u>	<u><u>\$100,435</u></u>	<u><u>\$8,422,576</u></u>

See accountant's compilation report

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2015

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$2,456,306	\$95,981	\$2,552,287
Cash Payments to Suppliers for Goods and Services	(1,444,122)	(68,354)	(1,512,476)
Cash Payments for Employee Services and Benefits	(362,792)	(21,468)	(384,260)
<i>Net Cash Provided by Operating Activities</i>	<u>649,392</u>	<u>6,159</u>	<u>655,551</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(241,436)	0	(241,436)
Principal Paid on OPWC Loan	(7,515)	0	(7,515)
Principal Paid on Capital Lease	(61,456)	0	(61,456)
Interest Paid on Capital Lease	(1,592)	0	(1,592)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(311,999)</u>	<u>0</u>	<u>(311,999)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer Out	(3,126)	0	(3,126)
<i>Net Increase in Cash and Cash Equivalents</i>	334,267	6,159	340,426
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,028,472</u>	<u>95,955</u>	<u>3,124,427</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$3,362,739</u></u>	<u><u>\$102,114</u></u>	<u><u>\$3,464,853</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$459,229	\$4,480	\$463,709
Adjustments:			
Depreciation	159,012	0	159,012
(Increase) Decrease in Assets:			
Accounts Receivable	24,521	0	24,521
Special Assessments Receivable	23,875	0	23,875
Materials and Supplies Inventory	9,930	0	9,930
(Increase) Decrease in Deferred Outflows of Resources - Pension	(11,006)	0	(11,006)
Increase (Decrease) in Liabilities:			
Accounts Payable	(28,520)	1,679	(26,841)
Accrued Wages	(11,812)	0	(11,812)
Compensated Absences Payable	15,954	0	15,954
Intergovernmental Payable	(4,946)	0	(4,946)
Net Pension Liability	7,400	0	7,400
Increase (Decrease) in Deferred Inflows of Resources - Pension	5,755	0	5,755
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$649,392</u></u>	<u><u>\$6,159</u></u>	<u><u>\$655,551</u></u>

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

**City of Eastlake, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2015*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$204,503</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$204,503</u></u>

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The City of Eastlake is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective November 3, 1953. The current charter provides for a council-mayor form of government. Elected officials include six council members and a mayor. The council members are elected for five year staggered terms. Two of the council members are elected at large. The mayor is elected for a five year term.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, boards and departments that are not legally separate from the City. For the City of Eastlake, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, sanitary sewer service and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The reporting entity of the City does not include any component units.

The City participates in two jointly governed organizations and an insurance purchasing pool. These organizations are the Northeast Ohio Public Energy Council, Willoughby-Eastlake Sewer District and the Northern Ohio Risk Management Association (NORMA). The City is also involved with the Eastlake Port Authority, a related organization. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

The City's management believes these financial statements present all activities for which the City is financially accountable.

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

The financial statements of the City of Eastlake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the City's accounting policies are described as follows.

***Basis of Presentation***

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

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

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

***Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Eastlake and/or the general laws of Ohio.

***General Bond Retirement Fund*** The general bond retirement debt service fund is used to account for and report restricted property tax revenues to be used for the payment of principal and interest and fiscal charges on general obligation debt.

***Road Improvement Fund*** The road improvement capital projects fund is used to account for and report restricted monies received from a three percent voted property tax levy for road construction and improvements made to the City.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

***Proprietary Fund*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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

***Sanitary Sewer Fund*** The sanitary sewer fund accounts for the operation of the City's sanitary sewer service.

***Storm Water Fund*** The storm water fund accounts for the operations of the storm water collection system within the City.

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

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***Basis of Accounting***

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue are reported only on the governmental funds balance sheet, and represent receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and ambulance charges. These amounts are deferred and recognized as an inflow of resources in the period the amounts became available. The details of these unavailable revenues

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 13).

***Pensions*** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***Budgetary Data***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the personal services and other object level for all other funds. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amount on the amended certificate of estimated resources in effect at the time the original and final appropriations were enacted by Council.

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

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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The City of Eastlake has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price for which the investment could be sold at December 31, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$8,176, of which \$7,701 was assigned from other funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Inventory***

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

***Assets Held for Resale***

Assets held for resale represents assets consisting of land which will be resold under the Community Development in-fill housing project.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

***Capital Assets***

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	50 years	50 years
Buildings and Improvements	50 years	50 years
Machinery and Equipment	5 - 30 years	5 - 30 years
Vehicles	5 - 15 years	5 - 15 years
Infrastructure	25 years	50 years

The City's infrastructure consists of streets, sidewalks, and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on City policy and length of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements and business-type financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***Accrued Liabilities and Long-Term Obligations***

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

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include police and fire operations.

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash. It also includes the property acquired for resale, unless the use of the proceeds from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by legislation.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution, as both are equally legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue: therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for sanitary sewer and storm water services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

***Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

***Bond Discounts***

On the government-wide financial statements, bond discounts are deferred and amortized over the term of the bonds using the straight line method. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued.

***Deferred Charge on Refunding***

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

***Estimates***

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

**Note 3 - Change in Accounting Principle and Restatement of Net Position**

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities	Total
Net position December 31, 2014	\$26,890,565	\$8,243,821	\$35,134,386
Adjustments:			
Net Pension Liability	(10,832,204)	(320,197)	(11,152,401)
Deferred Outflow - Payments Subsequent to Measurement Date	1,007,244	39,961	1,047,205
Restated Net Position December 31, 2014	<u>\$17,065,605</u>	<u>\$7,963,585</u>	<u>\$25,029,190</u>

**City of Eastlake, Ohio**  
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	Sewer	Storm Water	Total Enterprise
Net position December 31, 2014	\$8,147,866	\$95,955	\$8,243,821
Adjustments:			
Net Pension Liability	(320,197)	0	(320,197)
Deferred Outflow - Payments Subsequent to Measurement Date	39,961	0	39,961
Restated Net Position December 31, 2014	<u>\$7,867,630</u>	<u>\$95,955</u>	<u>\$7,963,585</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 4 - Budgetary Basis of Accounting**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

	General
GAAP Basis	\$13,002
Net Adjustment for Revenue Accruals	(117,015)
Net Adjustment for Expenditure Accruals	(176,258)
Encumbrances	(48,587)
Budget Basis	<u>(\$328,858)</u>

**City of Eastlake, Ohio**  
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**Note 5 - Fund Balance**

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

Fund Balances	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<b><i>Nonspendable:</i></b>					
Prepaid Items	\$68,480	\$0	\$0	\$22,438	\$90,918
Materials and Supplies Inventory	6,275	0	17,798	10,310	34,383
Assets Held for Resale	15,000	0	0	0	15,000
Unclaimed Monies	46,639	0	0	0	46,639
<b><i>Total Nonspendable</i></b>	<b>136,394</b>	<b>0</b>	<b>17,798</b>	<b>32,748</b>	<b>186,940</b>
<b><i>Restricted for:</i></b>					
Road Improvements	0	0	273,257	359,083	632,340
Public Safety	0	0	0	299,347	299,347
Fire Operations	0	0	0	147,604	147,604
Police and Fire Pension	0	0	0	22	22
Senior Citizens	0	0	0	58,438	58,438
Stadium Maintenance	0	0	0	183,292	183,292
Recreation Land Acquisition	0	0	0	174,424	174,424
Debt Service Payments	0	83	0	0	83
<b><i>Total Restricted</i></b>	<b>0</b>	<b>83</b>	<b>273,257</b>	<b>1,222,210</b>	<b>1,495,550</b>
<b><i>Assigned to:</i></b>					
<b><i>Purchases on order:</i></b>					
Salaries and Benefits	735	0	0	0	735
Materials and Supplies	11,208	0	0	0	11,208
Purchased and Contracted Services	16,586	0	0	0	16,586
Other Purposes	1,903	0	0	0	1,903
<b><i>Total Assigned</i></b>	<b>30,432</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,432</b>
<b><i>Unassigned</i></b>	<b>1,464,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,464,024</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,630,850</b>	<b>\$83</b>	<b>\$291,055</b>	<b>\$1,254,958</b>	<b>\$3,176,946</b>

**Note 6 - Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. Government Securities, including: Negotiable direct obligations of the United States or obligations issued by Federal agencies the principal of and interest on which are unconditionally guaranteed by the United States, and bonds, notes, debentures, or other obligations or securities issued by any federal government agency, whether or not they are guaranteed by the United States, included but not limited to Treasury Bills and Treasury Notes;
2. Non-Negotiable interest bearing time certificates of deposits and savings accounts in banks organized under the laws of this State, national banks organized under the laws of the United States doing business and situated in this State, savings and loan associations under State supervision, or savings and loan associations located in this State and organized under Federal law and under federal supervision;
3. Negotiable interest bearing time certificates of deposit issued by institutions which are ranked nationally as being in the top one hundred in asset and deposit size within their industry;
4. Bankers' Acceptances which are eligible for purchase by the Federal Reserve System and which are issued by institutions which are ranked nationally as being in the top fifty in asset and deposit size within their industry;
5. Repurchase agreements of a bank organized under the laws of the United States or the State of Ohio thereof that are fully secured by obligations of the United States.

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

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$881,590 of the City's bank balance of \$5,555,627 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

***Investments***

At December 31, 2015, the City had \$81,823 invested in STAR Ohio with an average maturity of 49.4 days.

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The city has no policy that addresses credit risk.

***Concentration of Risk*** The City places no limit on the amount that may be invested in any one issuer.

**Note 7 - Receivables**

Receivables at December 31, 2015, consisted primarily of municipal income taxes, property and, permissive motor vehicle taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts (billings for utility service).

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

**City of Eastlake, Ohio**  
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Special assessments expected to be collected in more than one year amount to \$118,913 in the sanitary sewer enterprise fund. At December 31, 2015, the amount of delinquent special assessments was \$33,479.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes are levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015 was \$8.30 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2015 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate:	
Residential/Agricultural	\$268,603,853
Other Real Estate	94,466,515
Public Utility Personal Property	26,362,205
Total Assessed Values	\$389,432,573

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***Income Taxes***

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. The City allows a credit of two percent for income tax paid to another municipality up to the total amount owed to the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. All income tax received is recorded in the general fund.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<b>Governmental Activities:</b>	
Local Government	\$484,453
Gasoline Tax	308,515
Homestead and Rollback	138,934
Auto Registration	<u>73,015</u>
Total	<u><u>\$1,004,917</u></u>

**Note 8 - Interfund Transfers**

During 2015, the general fund transferred \$854,352 to the general bond retirement debt service fund as debt payments came due and \$14,400 to other governmental funds to provide additional resources for current operations. Other governmental funds made transfers in the amount of \$446,000 to the general bond retirement debt service fund as debt payments came due. The sewer enterprise fund transferred \$3,126 to the road improvement fund.

**Note 9 - Contingencies**

***Litigation***

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

As to the *Ohio Department of Transportation vs. Eastlake Development Company* court case, the matter was settled. However, there was no agreed payment plan. Instead, the parties agreed to further negotiate any payment terms and ODOT agreed that there would be no execution against the City on the judgment unless a number of conditions which evidence a significant improvement in the City's financial health occur. The City has not met those conditions and likely will not in the foreseeable future.

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As to *Richard Fatur v. City of Eastlake, et al.*, Lake County Court of Common Pleas, Case No. 05 CV001922, the lawsuit remains in its infancy. A great number of the original claims and the number of years at issue has previously been reduced on the defendants' motion to dismiss. A motion to reconsider the refusal to accept jurisdiction by the Ohio Supreme Court is pending. The City has presented, and still has available, numerous arguments of law and fact.

**Grants**

For the period January 1, 2015 to December 31, 2015, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**Note 10 - Capital Assets**

A summary of changes in capital assets during 2015 follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,044,735	\$0	(\$43,080)	\$7,001,655
Construction in Progress	387,656	364,283	(424,903)	327,036
<i>Total Nondepreciable Capital Assets</i>	<u>7,432,391</u>	<u>364,283</u>	<u>(467,983)</u>	<u>7,328,691</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	17,977,085	0	0	17,977,085
Buildings and Improvements	9,114,017	332,953	0	9,446,970
Machinery and Equipment	3,817,358	123,441	0	3,940,799
Vehicles	4,992,195	35,065	0	5,027,260
Infrastructure	25,167,922	427,747	0	25,595,669
<i>Total Depreciable Capital Assets</i>	<u>61,068,577</u>	<u>919,206</u>	<u>0</u>	<u>61,987,783</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(4,746,540)	(365,681)	0	(5,112,221)
Buildings and Improvements	(5,251,566)	(63,792)	0	(5,315,358)
Machinery and Equipment	(2,591,590)	(179,588)	0	(2,771,178)
Vehicles	(3,109,239)	(203,776)	0	(3,313,015)
Infrastructure	(17,590,585)	(1,031,303)	0	(18,621,888)
<i>Total Accumulated Depreciation</i>	<u>(33,289,520)</u>	<u>(1,844,140) *</u>	<u>0</u>	<u>(35,133,660)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>27,779,057</u>	<u>(924,934)</u>	<u>0</u>	<u>26,854,123</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$35,211,448</u>	<u>(\$560,651)</u>	<u>(\$467,983)</u>	<u>\$34,182,814</u>

**City of Eastlake, Ohio**  
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\* Depreciation expense was charged to governmental functions as follows:

General Government	\$23,662
Security of Persons and Property	226,583
Transportation	177,015
Community Environment	824
Basic Utility Services	914,333
Leisure Time Activities	501,723
<b>Total</b>	<b><u>\$1,844,140</u></b>

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<b>Business-Type Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	2,862,787	0	0	2,862,787
Machinery and Equipment	665,738	121,852	0	787,590
Vehicles	502,020	77,074	0	579,094
Infrastructure				
Sewers	9,572,737	42,510	0	9,615,247
<i>Total Depreciable Capital Assets</i>	<u>13,603,282</u>	<u>241,436</u>	<u>0</u>	<u>13,844,718</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,009,487)	(60,107)	0	(1,069,594)
Machinery and Equipment	(170,157)	(33,200)	0	(203,357)
Vehicles	(432,728)	(7,530)	0	(440,258)
Infrastructure				
Sewers	(7,611,327)	(58,175)	0	(7,669,502)
<i>Total Accumulated Depreciation</i>	<u>(9,223,699)</u>	<u>(159,012)</u>	<u>0</u>	<u>(9,382,711)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>4,379,583</u>	<u>82,424</u>	<u>0</u>	<u>4,462,007</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$4,455,139</u>	<u>\$82,424</u>	<u>\$0</u>	<u>\$4,537,563</u>

**Note 11 - Assets Held for Resale**

Assets held for resale represents land purchased to be resold under the Community Development in-fill housing project. As of December 31, 2015, the City has one lot of land which is being held for resale.

**Note 12 - Risk Management**

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

**City of Eastlake, Ohio**  
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During 2015, the City participated in NORMA, an insurance pool, for the following types of insurance:

Type	Coverage
Property	\$44,915,826
Inland Marine	8,000,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella	15,000,000

Claims have not exceeded this coverage in any of the past three years and there have been no significant reductions in overall commercial coverage in any of the past three years.

In prior years, the the City participated in the State Workers' Compensation retrospective rating and payment system. During 2015, the City no longer participated in the retrospective rating and payment system. CareWorks Consultants serves as the City's third party administrator. Once the City receives notice of the 2014 claims paid by the Bureau of Workers' Compensation, CareWorks Consultants will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2015. The minimum premium portion of intergovernmental payable is \$100,569 and the actual claim costs are \$42,875. The maintenance of these benefits is accounted for in the general fund. Claims of \$27,558 have been accrued as a liability at December 31, 2015 based on an estimate provided by CareWorks Consultants. Changes in the claims liability amount in 2014 and 2015 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$108,832	\$83,275	\$149,232	\$42,875
2015	42,875	27,558	42,875	27,558

**Note 13 - Defined Benefit Pension Plans**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**City of Eastlake, Ohio**  
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The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$239,190 for 2015. Of this amount, \$22,218 is reported as an intergovernmental payable.

***Plan Description - Ohio Police & Fire Pension Fund (OPF)***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. 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 and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50	11.50
July 2, 2015 through December 31, 2015	12.25	12.25
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$797,425 for 2015. Of this amount \$58,748 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,339,977	\$9,429,747	\$11,769,724
Proportion of the Net Pension Liability	0.019401%	0.182027%	
Pension Expense	\$254,542	\$919,828	\$1,174,370

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$124,854	\$406,413	\$531,267
City contributions subsequent to the measurement date	239,190	797,425	1,036,615
Total Deferred Outflows of Resources	<u>\$364,044</u>	<u>\$1,203,838</u>	<u>\$1,567,882</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$41,109</u>	<u>\$0</u>	<u>\$41,109</u>

\$1,036,615 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
2016	(\$12,246)	(\$101,603)	(\$113,849)
2017	(12,246)	(101,603)	(113,849)
2018	(28,040)	(101,603)	(129,643)
2019	<u>(31,213)</u>	<u>(101,604)</u>	<u>(132,817)</u>
Total	<u>(\$83,745)</u>	<u>(\$406,413)</u>	<u>(\$490,158)</u>

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table that follows displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.28 %</b>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$4,304,888	\$2,339,977	\$685,049

**Actuarial Assumptions - OPF**

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented as follows:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

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OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$13,042,767	\$9,429,747	\$6,370,618

**Note 14 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

**City of Eastlake, Ohio**  
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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced that follows for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their 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 earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$39,865, \$32,084 and \$16,106, respectively. For 2015, 96.68 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

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***Police and Fire Pension Fund***

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$8,918 and \$9,756 for the year ended December 31, 2015, \$3,301 and \$3,413 for the year ended December 31, 2014, and \$2,851 and \$3,235 for the year ended December 31, 2013. For 2015, 97.27 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

**Note 15 - Long-term Obligations**

The original issuance amounts for the City's long-term obligations are as follows:

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Governmental Activities:</b>			
<i>General Obligation Bonds:</i>			
2004 Various Purpose Bonds	2.5-5%	\$60,000	2031
2005 City Hall Construction Refunding Bonds	3.6-6	2,790,000	2017
2011 Tax Exempt Various Purpose Refunding Bonds	2-4	9,995,000	2027
2013 Capital Facilities Refunding Bonds	5.125-5.75	4,025,000	2031
2014 Capital Facilities Bonds	1.89	300,000	2019
2015 City Hall Refunding Bonds	1.37	835,000	2017
<i>OPWC Loans:</i>			
North Parkway Road and Sewer	0	50,000	2019
Parkland Drive Road and Sewer	0	24,907	2021
Stevens Boulevard Road and Sewer	0	49,138	2021
East Overlook Road, Storm and Sanitary Sewer	0	26,254	2023
Roberts Road Improvements	0	150,000	2025
Plymouth Road and Sewer	0	58,200	2025
Roberts Road Improvements - Phase 2	0	96,508	2031
Edison and Mondamin Storm Sewer	0	37,646	2032
<b>Business-Type Activities:</b>			
<i>OPWC Loans:</i>			
Robin/Forest/King Drive Pump Stations	0	50,000	2030
Quentin Road Pump Station	0	100,292	2032

**City of Eastlake, Ohio**  
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Changes in long-term obligations of the City during 2015 were as follows:

	Balance 12/31/2014	Increase	Decrease	Balance 12/31/2015	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2004 Various Purpose Bonds - Term	\$60,000	\$0	\$0	\$60,000	\$0
2005 City Hall Construction Refunding Bonds - Serial	805,000	0	805,000	0	0
2011 Tax Exempt Various Purpose Refunding Bonds:					
Serial	7,085,000	0	580,000	6,505,000	595,000
Term	1,375,000	0	0	1,375,000	0
Total 2011 Various Purpose Bonds	8,460,000	0	580,000	7,880,000	595,000
2013 Capital Facilities Refunding Bonds:					
Serial	1,785,000	0	185,000	1,600,000	185,000
Term	2,075,000	0	0	2,075,000	0
Discount	(23,273)	0	(1,115)	(22,158)	0
Total 2013 Capital Facilities Refunding Bonds	3,836,727	0	183,885	3,652,842	185,000
2014 Capital Facilities Bonds - Serial	300,000	0	60,000	240,000	60,000
2015 City Hall Refunding Bonds - Serial	0	835,000	280,000	555,000	275,000
<i>Total General Obligation Bonds</i>	13,461,727	835,000	1,908,885	12,387,842	1,115,000
<b>OPWC Loans:</b>					
North Parkway Road and Sewer	11,250	0	2,500	8,750	2,500
Parkland Drive Road and Sewer	8,095	0	1,245	6,850	1,245
Stevens Boulevard Road and Sewer	15,970	0	2,457	13,513	2,457
East Overlook Road, Storm and Sanitary Sewer	11,814	0	1,312	10,502	1,312
Roberts Road Improvements	78,750	0	7,500	71,250	7,500
Plymouth Road and Sewer	33,465	0	2,910	30,555	2,910
Roberts Road Improvements-Phase 2	82,031	0	4,825	77,206	4,825
Edison and Mondamin Storm Sewer	32,941	0	1,882	31,059	1,882
<i>Total OPWC Loans</i>	274,316	0	24,631	249,685	24,631
<b>Other Long-Term Obligations:</b>					
ODOT Payable	32,952	0	32,952	0	0
Compensated Absences Payable	1,001,035	604,112	339,567	1,265,580	208,117
Workers' Compensation Liability	42,875	27,558	42,875	27,558	27,558
<i>Total Other Long-Term Obligations</i>	1,076,862	631,670	415,394	1,293,138	235,675
<b>Net Pension Liability:</b>					
OPERS	1,966,928	45,452	0	2,012,380	0
OPF	8,865,276	564,471	0	9,429,747	0
<i>Total Net Pension Liability</i>	10,832,204	609,923	0	11,442,127	0
<b>Total Governmental Activities</b>	<b>\$25,645,109</b>	<b>\$2,076,593</b>	<b>\$2,348,910</b>	<b>\$25,372,792</b>	<b>\$1,375,306</b>

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2015

	Balance 12/31/2014	Increase	Decrease	Balance 12/31/2015	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<b>OPWC Loans:</b>					
Robin/Forest/King Drive Pump Stations	\$38,750	\$0	\$2,500	\$36,250	\$2,500
Quentin Road Pump Station	90,262	0	5,015	85,247	5,015
<i>Total OPWC Loans</i>	<u>129,012</u>	<u>0</u>	<u>7,515</u>	<u>121,497</u>	<u>7,515</u>
<b>Other Long-Term Obligations:</b>					
Capital Leases Payable	61,456	0	61,456	0	0
Compensated Absences Payable	35,624	33,830	17,876	51,578	15,108
<i>Total Other Long-Term Obligations</i>	<u>97,080</u>	<u>33,830</u>	<u>79,332</u>	<u>51,578</u>	<u>15,108</u>
<b>Net Pension Liability:</b>					
OPERS	320,197	7,400	0	327,597	0
Total Business-Type Activities	<u>\$546,289</u>	<u>\$41,230</u>	<u>\$86,847</u>	<u>\$500,672</u>	<u>\$22,623</u>

**General obligation bonds** General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both voted and unvoted general property taxes levied on all taxable property located within the City as well as municipal income taxes. Tax monies will be received in and the debt will be retired from the general obligation bond retirement debt service and road improvement capital projects funds.

**2004 Various Purpose Bonds** In 2004, the City issued \$60,000 in various purpose bonds with interest rates varying from 2.5 percent to 5 percent. Proceeds were used for capital facilities.

**2005 Refunded Bonds** On April 1, 2005, the City issued \$2,790,000 in general obligation refunding bonds with interest rates varying from 3.6 percent to 6 percent. Proceeds were used to refund \$2,665,000 of the 1993 general obligation bonds for city hall building improvements.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1993 general obligation bonds. As a result \$2,790,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2015 is \$1,055,000.

**2011 Refunded Bonds** On December 15, 2011, the City issued \$9,995,000 in general obligation refunding bonds, to partially refund bonds previously issued in 2002 and 2004 for construction of the stadium. The bonds were issued with interest rates varying from 2 percent to 4 percent. The bonds were issued for a 16 year period with final maturity during 2027. The bonds will be retired through the general obligation bond retirement debt service fund.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2002 and 2004 tax exempt bonds. As a result, \$9,340,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2015 is \$7,615,000.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2022 in the amount of \$675,000. The remaining principal amount of \$700,000 of the term bonds will mature at the stated maturity.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**Early Extinguished Bonds** On September 18, 2009, the City early extinguished \$7,230,000 of its 2002 Taxable Capital Facilities Bonds. The early extinguishment was deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 2002 Taxable Capital Facilities Bonds. As a result the entire amounts of extinguished bonds were considered defeased and the liability for the extinguished bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2015 is \$5,460,000.

**2013 Refunded Bonds** In 2013, the City issued general obligation bonds, in the amount of \$4,025,000, to refund bonds previously issued in 2004 for capital facilities in the full amount. The remaining \$420,000 will be used to pay the remaining interest and fiscal charges of the unrefunded bonds. The bonds were issued with interest rates varying from 5.125 percent to 5.750 percent. The bonds were issued for a 18 year period with final maturity during 2031. The bonds will be retired through the general bond retirement debt service fund.

The term bonds maturing on August 1, 2025, 2028 and 2031 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on August 1 in the years and in the respective principal amounts as follows:

Year	2013 Capital Facilities Refunding Term Bonds		
	\$465,000	\$755,000	\$855,000
2024	\$230,000	\$0	\$0
2025	0	0	0
2026	0	240,000	0
2027	0	250,000	0
2028	0	0	0
2029	0	0	275,000
2030	0	0	285,000
Total	\$230,000	\$490,000	\$560,000
<i>Stated Maturity</i>	<i>8/1/2025</i>	<i>8/1/2028</i>	<i>8/1/2031</i>

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

**2014 Capital Facilities Bonds** In 2014, the City issued \$300,000 in capital facilities bonds to finance the construction of a salt storage facility. The interest rate on this bond issue is 1.89 percent and matures in 2019. The bonds will be paid from the general obligation bond retirement fund.

**2015 City Hall Refunding Bonds** In 2015, the City issued \$835,000 in City Hall Refunding Bonds. The bonds were issued for the purpose of refunding the entirety of bonds issued in 2005 to take advantage of lower interest rates. The bonds were issued for a 3 year period with final maturity during 2017. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2015, \$545,000 of the defeased bonds are still outstanding.

The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$20,036, but incurred an accounting loss of \$16,845 (difference between amount paid to bond escrow agent and the refunding amount).

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

An analysis of the principal refunding follows:

	2005 City Hall Bonds
Outstanding at December 31, 2014	\$805,000
Amount Refunded	(805,000)
Outstanding Principal at December 31, 2015	\$0

**OPWC Loans** OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for sanitary sewer improvements. The loans are interest free. OPWC loans will be paid from the road improvement capital projects fund.

**ODOT Payable** ODOT payable consists of money owed to the Ohio Department of Transportation for work done on the access modification to the baseball stadium and parking lot. The payable will be paid from the road improvement capital projects fund.

**Capital Leases** Capital lease obligations will be paid from the fund that maintains custody of the related assets. Capital leases will be paid from the general fund and sewer enterprise fund.

**Compensated Absences** The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund; the street construction, maintenance, and repair; the federal grants; and Taft center donation special revenue funds; the road improvement capital projects fund; and the sanitary sewer enterprise fund.

**Workers' Compensation and Net Pension Liability** The workers' compensation liability will be paid from the general fund. The City pays obligations related to employee compensation from the fund benefitting from their service. See Notes 12 and 13, respectively, for more information.

The City's overall legal debt margin was \$28,131,479 with an unvoted debt margin of \$12,758,941 at December 31, 2015.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2015, were as follows:

<b>Governmental Activities</b>					
General Obligation Bonds					
Year	Serial		Term		OPWC Loans
	Principal	Interest	Principal	Interest	
2016	\$1,115,000	\$364,904	\$0	\$3,000	\$24,631
2017	1,130,000	344,403	0	3,000	24,633
2018	860,000	323,633	0	3,000	24,633
2019	885,000	306,309	0	3,000	23,383
2020	840,000	282,988	0	3,000	22,133
2021-2025	2,750,000	613,872	1,840,000	428,778	80,349
2026-2030	1,320,000	66,825	1,375,000	240,900	42,265
2031	0	0	295,000	12,906	7,658
Total	\$8,900,000	\$2,302,934	\$3,510,000	\$697,584	\$249,685

<b>Business-Type Activities</b>	
OPWC Loans	
Year	Principal
2016	\$7,515
2017	7,515
2018	7,515
2019	7,515
2020	7,515
2021-2025	37,575
2026-2030	36,325
2031-2035	10,022
Total	\$121,497

**Note 16 – Operating Lease**

In 2015, the City entered into an operating lease with Lake Business Products for copiers. The lease terms are 60 equal payments of \$775 ending in 2020.

In 2015, the City entered into an agreement with Willoughby-Eastlake Library to lease the west end of city hall to the library. The building is owned by the City. The premises are being leased for five years ending in 2020. The following schedule by years of minimum future rentals on the operating lease as of December 31, 2015:

Library Lease	
2016	\$38,250
2017	39,375
2018	39,375
2019	40,500
Total	\$157,500

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 17 - Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is entitled to payment for any earned but unused vacation. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation, with a maximum accumulation at rates negotiated in the various union contracts or set by council. After 10 years of service with the city, upon retirement, employees are paid a percentage of all the sick days they have accumulated.

**Note 18 - Jointly Governed Organization**

***Northeast Ohio Public Energy Council***

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 200 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. In 2015, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio, 44139 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

***Willoughby-Eastlake Sewer District***

In 1955, the City entered into an agreement with the City of Willoughby for the purpose of financing and constructing a joint sewer district. The agreement has been amended nine times since. The City of Eastlake and the City of Willoughby are jointly responsible for the maintenance of the sewer district. The City of Willoughby bills the City of Eastlake on a monthly basis for work conducted by the Willoughby City Engineer. The joint sewer district is governed by a board appointed by the cities of Willoughby and Eastlake. The Board oversees and manages the operation of the sewer district. The degree of control exercised by the cities is limited to their representation on the board. The City contributed \$1,128,858 to the sewer district in 2015.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 19 - Shared Risk Pool**

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, the Village of Chagrin Falls and University Heights. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October 1, 1993 and the City of University Heights whose commencement date is October 1, 2008. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2015, the City of Eastlake paid \$118,912 in premiums from the general fund and special revenue funds, which represents 7.7 percent of the total premiums paid by all members. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of University Heights, 2300 Warrensville Center Road, University Heights, Ohio 44118.

**Note 20 - Related Organization**

The Eastlake Port Authority was created under the Ohio Revised Code and conducts port development and operations. The Authority is governed by a seven member Board of Directors which consists of five members appointed by the Mayor and two appointed by City Council. The City's accountability does not extend beyond appointing board members.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 21 - Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

**Governmental Funds:**

General	\$48,587
Road Improvements	47,451
Other Governmental Funds	<u>67,226</u>
<i>Total Governmental Funds</i>	163,264

**Proprietary Fund:**

Sanitary Sewer	<u>23,313</u>
<i>Total Encumbrances</i>	<u><u>\$186,577</u></u>

## **Required Supplementary Information**

**City of Eastlake, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.019401%	0.019401%
City's Proportionate Share of the Net Pension Liability	\$2,339,977	\$2,287,125
City's Covered-Employee Payroll	\$2,378,625	\$2,522,628
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	90.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

See accountant's compilation report

**City of Eastlake, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.182027%	0.182027%
City's Proportionate Share of the Net Pension Liability	\$9,429,747	\$8,865,276
City's Covered-Employee Payroll	\$3,566,749	\$3,396,064
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.38%	261.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

See accountant's compilation report

**City of Eastlake, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Public Employee Retirement System - Traditional Plan*  
*Last Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$239,190	\$285,435	\$327,942
Contributions in Relation to the Contractually Required Contribution	<u>(239,190)</u>	<u>(285,435)</u>	<u>(327,942)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,993,250	\$2,378,625	\$2,522,628
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

See accountant's compilation report

**City of Eastlake, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$797,425	\$761,770	\$612,833	\$527,697
Contributions in Relation to the Contractually Required Contribution	<u>(797,425)</u>	<u>(761,770)</u>	<u>(612,833)</u>	<u>(527,697)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,734,854	\$3,566,749	\$3,396,064	\$3,542,262
Contributions as a Percentage of Covered-Employee Payroll	21.35%	21.36%	18.05%	14.90%
See accountant's compilation report				

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$645,508	\$643,005	\$669,622	\$610,901	\$263,493	\$313,126
<u>(645,508)</u>	<u>(643,005)</u>	<u>(669,622)</u>	<u>(610,901)</u>	<u>(263,493)</u>	<u>(313,126)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,356,623	\$4,343,805	\$4,559,814	\$4,189,433	\$1,840,789	\$2,349,674
14.82%	14.80%	14.69%	14.58%	14.31%	13.33%

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