



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF EASTLAKE
LAKE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

City of Eastlake
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio (the City), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio, as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2019

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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, 2017. 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 2017 are as follows:

- On May 2, 2017, the City of Eastlake residents passed a five year 1.8 mill renewal operating levy and a continuous 4.5 mill levy for fire and emergency medical service operations.
- The City continues to focus on the maintenance and repair of streets. The City is working on repairs to Lakeshore Boulevard and East 344th Street.
- The City is working on a \$1.7 million project for storm sewer and pump station improvements to the Galalina Area Pump Station as well as a \$2.5 million Waverly Road sewer repair project.

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 finances. 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 2017?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) 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.

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.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

The statement of activities presents information showing how the City'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 21 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, fire and ems levy special revenue 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.

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.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017*	2016
Assets						
Current and Other Assets	\$10,781,858	\$8,466,418	\$5,363,970	\$5,037,177	\$16,145,828	\$13,503,595
Capital Assets, Net	33,226,521	33,751,540	4,435,031	4,488,431	37,661,552	38,239,971
Total Assets	44,008,379	42,217,958	9,799,001	9,525,608	53,807,380	51,743,566
Deferred Outflows of Resources						
Deferred Charge on Refunding	437,030	475,250	0	0	437,030	475,250
Pension	2,881,736	3,465,506	229,984	180,605	3,111,720	3,646,111
Total Deferred Outflows of Resources	3,318,766	3,940,756	229,984	180,605	3,548,750	4,121,361
Liabilities						
Current Liabilities	486,100	616,350	74,776	24,465	560,876	640,815
Long-Term Liabilities						
Due Within One Year	1,269,633	1,395,431	23,920	21,667	1,293,553	1,417,098
Due in More Than One Year	10,823,322	11,357,926	136,140	146,434	10,959,462	11,504,360
Net Pension Liability	13,670,931	13,468,111	596,974	472,412	14,267,905	13,940,523
Total Liabilities	26,249,986	26,837,818	831,810	664,978	27,081,796	27,502,796
Deferred Inflows of Resources						
Property Tax	4,022,415	2,563,006	0	0	4,022,415	2,563,006
Pension	631,025	637,304	11,916	9,128	642,941	646,432
Total Deferred Inflows of Resources	4,653,440	3,200,310	11,916	9,128	4,665,356	3,209,438
Net Position						
Net Investment in Capital Assets	22,897,668	22,805,646	4,296,515	4,374,449	27,194,183	27,180,095
Restricted for:						
Capital Projects	807,453	662,075	0	0	807,453	662,075
Other Purposes	1,246,654	1,199,168	0	0	1,246,654	1,199,168
Unrestricted (Deficit)	(8,528,056)	(8,546,303)	4,888,744	4,657,658	(3,639,312)	(3,888,645)
Total Net Position	\$16,423,719	\$16,120,586	\$9,185,259	\$9,032,107	\$25,608,978	\$25,152,693

* After deferred outflows of resources and deferred inflows of resources related the change in internal proportionate share of pension related items have been eliminated.

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, 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.

City of Eastlake, Ohio
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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.

GASB 68 requires the net pension liability to equal 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.

Total net position for governmental activities showed an increase from 2016. This was largely due to increases in income tax collections as well as changes in deferred inflows due to the new fire and ems levy that was passed in May, 2017 with collections to begin in 2018. Total net position for business-type activities saw an increase due to revenues outpacing expenses for the year.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$1,756,682	\$2,029,329	\$2,730,897	\$2,744,448	\$4,487,579	\$4,773,777
Operating Grants and Contributions	1,802,535	1,455,937	0	0	1,802,535	1,455,937
Capital Grants and Interest	216,123	322,626	0	0	216,123	322,626
Total Program Revenues	3,775,340	3,807,892	2,730,897	2,744,448	6,506,237	6,552,340
General Revenues						
Property Taxes	2,579,621	2,489,073	0	0	2,579,621	2,489,073
Municipal Income Taxes	6,409,708	6,020,873	0	0	6,409,708	6,020,873
Hotel Taxes	31,470	46,844	0	0	31,470	46,844
Permissive MVL Taxes	138,490	77,648	0	0	138,490	77,648
Grants and Entitlements	1,220,377	1,211,502	0	0	1,220,377	1,211,502
Franchise Taxes	247,423	234,784	0	0	247,423	234,784
Interest	51,696	20,702	0	0	51,696	20,702
Unrestricted Contributions	19,910	11,386	0	0	19,910	11,386
Other	147,110	16,665	0	0	147,110	16,665
Total General Revenues	10,845,805	10,129,477	0	0	10,845,805	10,129,477
Total Revenues	14,621,145	13,937,369	2,730,897	2,744,448	17,352,042	16,681,817
Program Expenses						
General Government	3,297,957	2,993,603	0	0	3,297,957	2,993,603
Security of Persons and Property	6,588,305	6,712,614	0	0	6,588,305	6,712,614
Public Health Services	200,148	163,033	0	0	200,148	163,033
Transportation	1,739,497	1,409,533	0	0	1,739,497	1,409,533
Community Environment	409,193	250,565	0	0	409,193	250,565
Basic Utility Services	1,107,215	1,099,421	0	0	1,107,215	1,099,421
Leisure Time Activities	586,722	520,649	0	0	586,722	520,649
Interest and Fiscal Charges	392,102	409,336	0	0	392,102	409,336
Sanitary Sewer	0	0	2,221,579	1,884,662	2,221,579	1,884,662
Storm Water	0	0	353,039	247,128	353,039	247,128
Total Expenses	14,321,139	13,558,754	2,574,618	2,131,790	16,895,757	15,690,544
Increase (Decrease) in Net Position						
Before Transfers	300,006	378,615	156,279	612,658	456,285	991,273
Transfers	3,127	3,127	(3,127)	(3,127)	0	0
Change in Net Position	303,133	381,742	153,152	609,531	456,285	991,273
Net Position Beginning of Year	16,120,586	15,738,844	9,032,107	8,422,576	25,152,693	24,161,420
Net Position End of Year	\$16,423,719	\$16,120,586	\$9,185,259	\$9,032,107	\$25,608,978	\$25,152,693

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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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 9.8 mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, a .5 mill fire levy and a new additional 4.5 mill fire levy. The 1.8 mill operating levy was renewed by the voters on May 2, 2017. The .5 mill fire levy was renewed by the voters in the November 2010 election and an additional 4.5 mill fire levy was passed by the voters on May 2, 2017. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services. During 2017, property tax revenues remained fairly consistent with the previous year due to similar levels of collections and delinquencies. Municipal income taxes saw an increase from 2016 due to increased economic development.

Program expenses increased from 2016 levels. General government expenses increased due to maintenance repairs made to city hall, an increase in income tax refunds issued and an increase in election costs due to the levies that were placed on the ballot. Transportation expenses increased due to an increase in street maintenance in 2017. 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 grants and entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$3,297,957	(\$2,366,698)	\$2,993,603	(\$2,486,436)
Security of Persons and Property	6,588,305	(5,421,636)	6,712,614	(5,278,932)
Public Health Services	200,148	(170,596)	163,033	(134,800)
Transportation	1,739,497	(902,318)	1,409,533	(255,097)
Community Environment	409,193	(176,539)	250,565	(144,618)
Basic Utility Services	1,107,215	(701,214)	1,099,421	(693,637)
Leisure Time Activities	586,722	(414,696)	520,649	(348,006)
Interest and Fiscal Charges	392,102	(392,102)	409,336	(409,336)
Total	\$14,321,139	(\$10,545,799)	\$13,558,754	(\$9,750,862)

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 saw a slight decrease for 2017. The expenses increased due to an increase in sewer projects the City is working on.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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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 the City's net resources. Governmental fund information can be found beginning on page 14 and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, fire and ems levy special revenue 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. Municipal income taxes increased significantly during the year due to increased economic development. Expenditures increased slightly. Management continues to monitor its spending to stay in line with the budget. The fire and ems levy special revenue fund balance increased as the City began collections on the new levy. The general bond retirement fund saw a small increase in fund balance as a result of careful budgeting. The road improvement capital projects fund saw an increase in fund balance as revenues exceeded expenditures for the year.

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 2017, 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 an increase in revenues from the final budget due to an increased amount of property taxes, municipal income taxes, charges for services, fees, licenses and permits and other revenue 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 2017 balances of capital assets as compared to 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$7,001,655	\$7,001,655	\$75,556	\$75,556	\$7,077,211	\$7,077,211
Construction in Progress	692,926	31,044	256,013	115,065	948,939	146,109
Land Improvements	12,194,479	12,574,543	0	0	12,194,479	12,574,543
Buildings and Improvements	3,772,791	3,955,892	1,671,023	1,731,130	5,443,814	5,687,022
Machinery and Equipment	1,386,318	1,185,636	486,421	551,656	1,872,739	1,737,292
Vehicles	1,870,678	1,602,782	117,473	127,879	1,988,151	1,730,661
Infrastructure	6,307,674	7,399,988	1,828,545	1,887,145	8,136,219	9,287,133
Total Capital Assets	\$33,226,521	\$33,751,540	\$4,435,031	\$4,488,431	\$37,661,552	\$38,239,971

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For the Year Ended December 31, 2017
Unaudited

For 2017, the primary additions for governmental activities included the rehabilitation improvements to East 344th Street and Lakeshore Boulevard. These additions were offset by another year of depreciation.

The City is engaged in a large storm water project on Quentin road as well as improvements to the Galalina area pump station and Waverly Road sewer repairs which constitutes additions to construction in progress for business-type activities. Additional information concerning the City's capital assets can be found in Note 11 to the basic financial statements.

Debt

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2017.

Table 5
 Outstanding Long-Term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$10,145,103	\$11,273,957	\$0	\$0	\$10,145,103	\$11,273,957
OPWC Loans	200,422	225,053	106,467	113,982	306,889	339,035
Capital Leases	479,106	0	0	0	479,106	0
Compensated Absences	1,240,041	1,213,410	53,593	54,119	1,293,634	1,267,529
Workers' Compensation Liability	28,283	40,937	0	0	28,283	40,937
Net Pension Liability	13,670,931	13,468,111	596,974	472,412	14,267,905	13,940,523
Total	<u>\$25,763,886</u>	<u>\$26,221,468</u>	<u>\$757,034</u>	<u>\$640,513</u>	<u>\$26,520,920</u>	<u>\$26,861,981</u>

At December 31, 2017, 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. 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 capital leases, 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.

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, 2017

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,229,245	\$4,476,204	\$7,705,449
Accounts Receivable	297,752	794,508	1,092,260
Intergovernmental Receivable	1,132,796	0	1,132,796
Municipal Income Taxes Receivable	1,745,260	0	1,745,260
Hotel Taxes Receivable	1,064	0	1,064
Franchise Taxes Receivable	21,678	0	21,678
Permissive Motor Vehicle Taxes Receivable	67,671	0	67,671
Prepaid Items	93,648	0	93,648
Materials and Supplies Inventory	69,116	5,150	74,266
Property Taxes Receivable	4,123,628	0	4,123,628
Special Assessments Receivable	0	88,108	88,108
Nondepreciable Capital Assets	7,694,581	331,569	8,026,150
Depreciable Capital Assets, Net	25,531,940	4,103,462	29,635,402
<i>Total Assets</i>	<u>44,008,379</u>	<u>9,799,001</u>	<u>53,807,380</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	437,030	0	437,030
Pension	2,881,736	229,984	3,111,238
<i>Total Deferred Outflows of Resources</i>	<u>3,318,766</u>	<u>229,984</u>	<u>3,548,268</u>
Liabilities			
Accounts Payable	187,042	29,907	216,949
Contracts Payable	9,269	33,050	42,319
Accrued Wages	121,700	7,771	129,471
Matured Compensated Absences Payable	20,495	0	20,495
Intergovernmental Payable	77,018	4,048	81,066
Accrued Interest Payable	70,576	0	70,576
Long-Term Liabilities:			
Due Within One Year	1,269,633	23,920	1,293,553
Due In More Than One Year	10,823,322	136,140	10,959,462
Net Pension Liability (See Note 13)	13,670,931	596,974	14,267,905
<i>Total Liabilities</i>	<u>26,249,986</u>	<u>831,810</u>	<u>27,081,796</u>
Deferred Inflows of Resources			
Property Taxes	4,022,415	0	4,022,415
Pension	631,025	11,916	642,459
<i>Total Deferred Inflows of Resources</i>	<u>4,653,440</u>	<u>11,916</u>	<u>4,664,874</u>
Net Position			
Net Investment in Capital Assets	22,897,668	4,296,515	27,194,183
Restricted for:			
Capital Projects	807,453	0	807,453
Other Purposes	1,246,654	0	1,246,654
Unrestricted (Deficit)	(8,528,056)	4,888,744	(3,639,312)
<i>Total Net Position</i>	<u>\$16,423,719</u>	<u>\$9,185,259</u>	<u>\$25,608,978</u>

*After deferred outflows of resources and deferred inflows of resources related to the change in internal proportionate share of pension-related items have been eliminated.

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Interest
Governmental Activities:				
Current:				
General Government	\$3,297,957	\$436,741	\$494,518	\$0
Security of Persons and Property	6,588,305	753,521	397,025	16,123
Public Health Services	200,148	29,552	0	0
Transportation	1,739,497	14,302	822,877	0
Community Environment	409,193	32,654	0	200,000
Basic Utility Services	1,107,215	406,001	0	0
Leisure Time Activities	586,722	83,911	88,115	0
Interest and Fiscal Charges	392,102	0	0	0
<i>Total Governmental Activities</i>	<u>14,321,139</u>	<u>1,756,682</u>	<u>1,802,535</u>	<u>216,123</u>
Business-Type Activities:				
Sanitary Sewer	2,221,579	2,367,850	0	0
Storm Water	353,039	363,047	0	0
<i>Total Business-Type Activities</i>	<u>2,574,618</u>	<u>2,730,897</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$16,895,757</u>	<u>\$4,487,579</u>	<u>\$1,802,535</u>	<u>\$216,123</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Debt Service
- Police Pension
- Fire Pension
- Fire and EMS 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

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$2,366,698)	\$0	(\$2,366,698)
(5,421,636)	0	(5,421,636)
(170,596)	0	(170,596)
(902,318)	0	(902,318)
(176,539)	0	(176,539)
(701,214)	0	(701,214)
(414,696)	0	(414,696)
(392,102)	0	(392,102)
(10,545,799)	0	(10,545,799)
0	146,271	146,271
0	10,008	10,008
0	156,279	156,279
(10,545,799)	156,279	(10,389,520)
1,170,799	0	1,170,799
176,803	0	176,803
114,603	0	114,603
114,620	0	114,620
194,691	0	194,691
808,105	0	808,105
6,409,708	0	6,409,708
31,470	0	31,470
138,490	0	138,490
1,220,377	0	1,220,377
247,423	0	247,423
51,696	0	51,696
19,910	0	19,910
147,110	0	147,110
10,845,805	0	10,845,805
3,127	(3,127)	0
10,848,932	(3,127)	10,845,805
303,133	153,152	456,285
16,120,586	9,032,107	25,152,693
<u>\$16,423,719</u>	<u>\$9,185,259</u>	<u>\$25,608,978</u>

City of Eastlake, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$1,772,459	\$0	\$51,348	\$483,144	\$881,830	\$3,188,781
Accounts Receivable	297,752	0	0	0	0	297,752
Intergovernmental Receivable	584,181	0	9,750	112,108	426,757	1,132,796
Municipal Income Taxes Receivable	1,745,260	0	0	0	0	1,745,260
Hotel Taxes Receivable	0	0	0	0	1,064	1,064
Franchise Taxes Receivable	21,678	0	0	0	0	21,678
Permissive Motor Vehicle						
Taxes Receivable	0	0	0	0	67,671	67,671
Prepaid Items	82,470	0	0	0	11,178	93,648
Materials and Supplies Inventory	8,310	0	0	36,520	24,286	69,116
Property Taxes Receivable	1,129,358	1,687,006	157,454	777,983	371,827	4,123,628
Restricted Assets:						
Equity in Pooled Cash and						
Cash Equivalents in Segregated Accounts	40,464	0	0	0	0	40,464
<i>Total Assets</i>	<u>\$5,681,932</u>	<u>\$1,687,006</u>	<u>\$218,552</u>	<u>\$1,409,755</u>	<u>\$1,784,613</u>	<u>\$10,781,858</u>
Liabilities						
Accounts Payable	\$137,528	\$0	\$0	\$3,219	\$46,295	\$187,042
Contracts Payable	0	0	0	9,269	0	9,269
Accrued Wages	105,545	0	0	0	16,155	121,700
Matured Compensated Absences Payable	20,495	0	0	0	0	20,495
Intergovernmental Payable	73,393	0	0	0	3,625	77,018
<i>Total Liabilities</i>	<u>336,961</u>	<u>0</u>	<u>0</u>	<u>12,488</u>	<u>66,075</u>	<u>415,524</u>
Deferred Inflows of Resources						
Property Taxes	1,101,858	1,643,929	153,434	760,596	362,598	4,022,415
Unavailable Revenue	1,283,172	0	13,770	129,495	399,072	1,825,509
<i>Total Deferred Inflows of Resources</i>	<u>2,385,030</u>	<u>1,643,929</u>	<u>167,204</u>	<u>890,091</u>	<u>761,670</u>	<u>5,847,924</u>
Fund Balances						
Nonspendable	131,244	0	0	36,520	35,464	203,228
Restricted	0	43,077	51,348	470,656	921,404	1,486,485
Assigned	125,001	0	0	0	0	125,001
Unassigned	2,703,696	0	0	0	0	2,703,696
<i>Total Fund Balances</i>	<u>2,959,941</u>	<u>43,077</u>	<u>51,348</u>	<u>507,176</u>	<u>956,868</u>	<u>4,518,410</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,681,932</u>	<u>\$1,687,006</u>	<u>\$218,552</u>	<u>\$1,409,755</u>	<u>\$1,784,613</u>	<u>\$10,781,858</u>

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, 2017*

Total Governmental Funds Balances	\$4,518,410
<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.	33,226,521
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	58,136
Intergovernmental	844,799
Municipal Income Taxes	633,395
Charges for Services	232,331
Permissive Sales Tax	56,848
Total	1,825,509
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(70,576)
Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	437,030
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(10,145,103)
OPWC Loans Payable	(200,422)
Capital Leases Payable	(479,106)
Compensated Absences Payable	(1,240,041)
Claims Payable	(28,283)
Total	(12,092,955)
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 Outflows - Pension	2,881,736
Net Pension Liability	(13,670,931)
Deferred Inflows - Pension	(631,025)
Total	(11,420,220)
<i>Net Position of Governmental Activities</i>	\$16,423,719

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, 2017

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$1,316,741	\$43,077	\$196,931	\$932,022	\$430,757	\$2,919,528
Municipal Income Taxes	6,607,374	0	0	0	0	6,607,374
Hotel Taxes	0	0	0	0	31,470	31,470
Permissive Motor Vehicle Taxes	0	0	0	0	137,374	137,374
Intergovernmental	1,186,098	0	19,501	421,591	1,504,192	3,131,382
Charges for Services	642,611	0	0	0	71,936	714,547
Fees, Licenses and Permits	543,763	0	0	0	43,577	587,340
Franchise Taxes	247,423	0	0	0	0	247,423
Fines and Forfeitures	138,302	0	0	0	2,252	140,554
Interest	50,002	0	0	0	1,694	51,696
Rentals	0	0	0	0	334,035	334,035
Contributions and Donations	19,910	0	0	0	0	19,910
Other	147,110	0	0	0	0	147,110
<i>Total Revenues</i>	<u>10,899,334</u>	<u>43,077</u>	<u>216,432</u>	<u>1,353,613</u>	<u>2,557,287</u>	<u>15,069,743</u>
Expenditures						
Current:						
General Government	3,025,216	0	3,457	0	0	3,028,673
Security of Persons and Property	5,003,552	0	0	0	665,968	5,669,520
Public Health Services	197,491	0	0	0	0	197,491
Transportation	94,727	0	0	0	1,062,969	1,157,696
Community Environment	196,208	0	0	0	203,500	399,708
Basic Utility Services	202	0	0	0	0	202
Leisure Time Activities	286,768	0	0	0	91,332	378,100
Capital Outlay	0	0	0	1,082,194	696,146	1,778,340
Debt Service:						
Principal Retirement	0	0	1,130,000	24,631	56,811	1,211,442
Interest and Fiscal Charges	0	0	347,403	0	5,382	352,785
<i>Total Expenditures</i>	<u>8,804,164</u>	<u>0</u>	<u>1,480,860</u>	<u>1,106,825</u>	<u>2,782,108</u>	<u>14,173,957</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,095,170</u>	<u>43,077</u>	<u>(1,264,428)</u>	<u>246,788</u>	<u>(224,821)</u>	<u>895,786</u>
Other Financing Sources (Uses)						
Inception of Capital Lease	0	0	0	0	535,917	535,917
Transfers In	0	0	1,315,000	3,127	23,000	1,341,127
Transfers Out	(933,000)	0	0	0	(405,000)	(1,338,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(933,000)</u>	<u>0</u>	<u>1,315,000</u>	<u>3,127</u>	<u>153,917</u>	<u>539,044</u>
<i>Net Change in Fund Balances</i>	<u>1,162,170</u>	<u>43,077</u>	<u>50,572</u>	<u>249,915</u>	<u>(70,904)</u>	<u>1,434,830</u>
<i>Fund Balances Beginning of Year</i>	<u>1,797,771</u>	<u>0</u>	<u>776</u>	<u>257,261</u>	<u>1,027,772</u>	<u>3,083,580</u>
<i>Fund Balances End of Year</i>	<u>\$2,959,941</u>	<u>\$43,077</u>	<u>\$51,348</u>	<u>\$507,176</u>	<u>\$956,868</u>	<u>\$4,518,410</u>

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, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$1,434,830
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	1,594,738
Depreciation	<u>(2,089,434)</u>
Total	(494,696)
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.	(30,323)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds:	
Property Taxes	(339,907)
Municipal Income Taxes	(197,666)
Intergovernmental	107,653
Charges for Services	(19,794)
Permissive Sales Tax	<u>1,116</u>
Total	(448,598)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,211,442
Capital leases issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.	(535,917)
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	49
Amortization of Accounting Loss	(38,220)
Amortization of Discount	<u>(1,146)</u>
Total	(39,317)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated Absences	(26,631)
Claims	<u>12,654</u>
Total	(13,977)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows.	932,385
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>(1,712,696)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$303,133</u></u>
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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,306,295	\$1,174,187	\$1,316,741	\$142,554
Municipal Income Taxes	6,788,934	6,247,500	6,534,198	286,698
Intergovernmental	1,220,992	1,128,794	1,175,178	46,384
Charges for Services	666,390	563,084	641,386	78,302
Fees, Licenses and Permits	564,962	469,231	543,763	74,532
Franchise Taxes	262,143	275,000	252,307	(22,693)
Fines and Forfeitures	143,694	119,300	138,302	19,002
Interest	51,196	18,000	50,002	32,002
Contributions and Donations	20,686	15,364	19,910	4,546
Other	152,846	22,673	147,110	124,437
<i>Total Revenues</i>	11,178,138	10,033,133	10,818,897	785,764
Expenditures				
Current:				
General Government	3,181,168	3,309,168	3,053,609	255,559
Security of Persons and Property	5,232,720	5,274,120	5,054,754	219,366
Public Health Services	197,491	197,491	197,491	0
Transportation	120,825	120,826	102,559	18,267
Community Environment	200,712	205,711	196,412	9,299
Basic Utility Services	1,500	1,500	202	1,298
Leisure Time Activities	307,262	307,262	291,849	15,413
<i>Total Expenditures</i>	9,241,678	9,416,078	8,896,876	519,202
<i>Excess of Revenues Over Expenditures</i>	1,936,460	617,055	1,922,021	1,304,966
Other Financing Uses				
Transfers Out	(898,000)	(933,000)	(933,000)	0
<i>Net Change in Fund Balance</i>	1,038,460	(315,945)	989,021	1,304,966
<i>Fund Balance Beginning of Year</i>	585,636	585,636	585,636	0
Prior Year Encumbrances Appropriated	94,973	94,973	94,973	0
<i>Fund Balance End of Year</i>	\$1,719,069	\$364,664	\$1,669,630	\$1,304,966

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2017

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$4,382,109	\$94,095	\$4,476,204
Accounts Receivable	794,508	0	794,508
Materials and Supplies Inventory	5,150	0	5,150
<i>Total Current Assets</i>	<u>5,181,767</u>	<u>94,095</u>	<u>5,275,862</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	88,108	0	88,108
Nondepreciable Capital Assets	331,569	0	331,569
Depreciable Capital Assets, Net	4,103,462	0	4,103,462
<i>Total Noncurrent Assets</i>	<u>4,523,139</u>	<u>0</u>	<u>4,523,139</u>
<i>Total Assets</i>	<u>9,704,906</u>	<u>94,095</u>	<u>9,799,001</u>
Deferred Outflows of Resources			
Pension	229,984	0	229,984
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	26,972	2,935	29,907
Contracts Payable	32,049	1,001	33,050
Accrued Wages	7,771	0	7,771
Intergovernmental Payable	4,048	0	4,048
Compensated Absences Payable	16,405	0	16,405
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>94,760</u>	<u>3,936</u>	<u>98,696</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	37,188	0	37,188
OPWC Loan Payable	98,952	0	98,952
Net Pension Liability	596,974	0	596,974
<i>Total Long-Term Liabilities</i>	<u>733,114</u>	<u>0</u>	<u>733,114</u>
<i>Total Liabilities</i>	<u>827,874</u>	<u>3,936</u>	<u>831,810</u>
Deferred Inflows of Resources			
Pension	11,916	0	11,916
Net Position			
Net Investment in Capital Assets	4,296,515	0	4,296,515
Unrestricted	4,798,585	90,159	4,888,744
<i>Total Net Position</i>	<u>\$9,095,100</u>	<u>\$90,159</u>	<u>\$9,185,259</u>

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, 2017*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	<u>\$2,367,850</u>	<u>\$363,047</u>	<u>\$2,730,897</u>
Operating Expenses			
Personal Services	535,925	50,887	586,812
Contractual Services	1,449,685	302,152	1,751,837
Materials and Supplies	34,610	0	34,610
Depreciation	<u>199,565</u>	<u>0</u>	<u>199,565</u>
<i>Total Operating Expenses</i>	<u>2,219,785</u>	<u>353,039</u>	<u>2,572,824</u>
<i>Income Before Transfers and Loss on Disposal of Fixed Assets</i>	148,065	10,008	158,073
Transfers Out	(3,127)	0	(3,127)
Loss on Disposal of Fixed Assets	<u>(1,794)</u>	<u>0</u>	<u>(1,794)</u>
<i>Change in Net Position</i>	143,144	10,008	153,152
<i>Net Position Beginning of Year</i>	<u>8,951,956</u>	<u>80,151</u>	<u>9,032,107</u>
<i>Net Position End of Year</i>	<u><u>\$9,095,100</u></u>	<u><u>\$90,159</u></u>	<u><u>\$9,185,259</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2017

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,385,898	\$363,047	\$2,748,945
Cash Payments to Suppliers for Goods and Services	(1,422,068)	(309,814)	(1,731,882)
Cash Payments for Employee Services and Benefits	(464,981)	(50,887)	(515,868)
<i>Net Cash Provided by Operating Activities</i>	<u>498,849</u>	<u>2,346</u>	<u>501,195</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(147,959)	0	(147,959)
Principal Paid on OPWC Loans	(7,515)	0	(7,515)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(155,474)</u>	<u>0</u>	<u>(155,474)</u>
Cash Flows from Noncapital Financing Activities			
Transfer Out	(3,127)	0	(3,127)
<i>Net Increase in Cash and Cash Equivalents</i>	340,248	2,346	342,594
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,041,861</u>	<u>91,749</u>	<u>4,133,610</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$4,382,109</u></u>	<u><u>\$94,095</u></u>	<u><u>\$4,476,204</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$148,065	\$10,008	\$158,073
Adjustments:			
Depreciation	199,565	0	199,565
(Increase) Decrease in Assets:			
Accounts Receivable	8,095	0	8,095
Special Assessments Receivable	9,953	0	9,953
Materials and Supplies Inventory	(2,247)	0	(2,247)
(Increase) Decrease in Deferred Outflows of Resources - Pension	76,467	0	76,467
Increase (Decrease) in Liabilities:			
Accounts Payable	24,978	2,580	27,558
Contracts Payable	31,725	(10,242)	21,483
Accrued Wages	1,215	0	1,215
Compensated Absences Payable	(526)	0	(526)
Intergovernmental Payable	55	0	55
Net Pension Liability	13,364	0	13,364
Increase (Decrease) in Deferred Inflows of Resources - Pension	(11,860)	0	(11,860)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$498,849</u></u>	<u><u>\$2,346</u></u>	<u><u>\$501,195</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$257,002</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$257,002</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 one jointly governed organization and a shared risk pool. These organizations are the Northeast Ohio Public Energy Council 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 17, 18 and 19 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, 2017

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.

Fire and EMS Levy Fund The fire and ems levy special revenue fund is used to account for and report restricted monies received from a 4.5 mill voted property tax levy for additional fire and emergency medical services to the City.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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, grants and 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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 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 are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. 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 fire and ems levy special revenue fund did not have any budgetary activity during 2017. 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 she maintains on her 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 statement reflect the amount on the amended certificate of estimated resources in effect at the time the original and final appropriations were enacted by Council.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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".

During 2017 the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2017 amounted to \$50,002, of which \$37,839 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, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Restricted Assets

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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 acquisition 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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 first 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).

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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, 2017

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

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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 fire and ems levy special revenue fund did not have any budgetary activity during 2017.

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).

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 for the general fund.

	General
GAAP Basis	\$1,162,170
Net Adjustment for Revenue Accruals	(80,437)
Net Adjustment for Expenditure Accruals	50,581
Encumbrances	(143,293)
Budget Basis	\$989,021

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	Fire & EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<i>Nonspendable:</i>						
Prepaid Items	\$82,470	\$0	\$0	\$0	\$11,178	\$93,648
Materials and Supplies Inventory	8,310	0	0	36,520	24,286	69,116
Unclaimed Monies	40,464	0	0	0	0	40,464
<i>Total Nonspendable</i>	131,244	0	0	36,520	35,464	203,228
<i>Restricted for:</i>						
Road Improvements	0	0	0	470,656	368,806	839,462
Public Safety	0	0	0	0	180,107	180,107
Fire Operations	0	0	0	0	66,614	66,614
Police and Fire Pension	0	0	0	0	29,606	29,606
Fire and EMS Pension	0	43,077	0	0	0	43,077
Senior Citizens	0	0	0	0	21,471	21,471
Stadium Maintenance	0	0	0	0	83,321	83,321
Recreation Land Acquisition	0	0	0	0	171,479	171,479
Debt Service Payments	0	0	51,348	0	0	51,348
<i>Total Restricted</i>	0	43,077	51,348	470,656	921,404	1,486,485
<i>Assigned to:</i>						
<i>Purchases on order:</i>						
General Government	86,865	0	0	0	0	86,865
Security of Persons and Property	28,238	0	0	0	0	28,238
Leisure Time Activities	3,616	0	0	0	0	3,616
Community Environment	3,166	0	0	0	0	3,166
Transportation	3,116	0	0	0	0	3,116
<i>Total Assigned</i>	125,001	0	0	0	0	125,001
<i>Unassigned</i>	2,703,696	0	0	0	0	2,703,696
<i>Total Fund Balances</i>	\$2,959,941	\$43,077	\$51,348	\$507,176	\$956,868	\$4,518,410

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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

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

Investments

At December 31, 2017, the City had \$2,052,647 invested in STAR Ohio with an average maturity of 52.1 days.

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 7 - Receivables

Receivables at December 31, 2017, 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.

Special assessments expected to be collected in more than one year amount to \$88,108 in the sanitary sewer enterprise fund. At December 31, 2017, the amount of delinquent special assessments was \$62,122.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017 was \$8.30 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2017 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$266,715,350
Other Real Estate	91,744,061
Public Utility Personal Property	<u>71,724,134</u>
Total Assessed Values	<u>\$430,183,545</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. 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:

	Amount
Governmental Activities:	
Local Government	\$512,709
Gasoline Tax	296,001
Homestead and Rollback	136,426
Auto Registration	80,409
Lake County	73,236
Federal Grants	28,324
Ohio Bureau of Workers' Compensation	5,691
Total	\$1,132,796

Note 8 - Tax Abatements

As of December 31, 2017, the City provides tax abatements through Community Reinvestment Area (CRA) Tax Abatements.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established four Community Reinvestment Areas to provide property tax abatements to stimulate redevelopment by improvements and rehabilitation of properties located on Vine Street. Abatements are obtained through application by the property owner meeting a set of established goals outlined in the City of Eastlake Community Reinvestment Area Guidelines. The amount of the abatement is deducted from the recipient's tax bill. The values of taxes being abated total \$5,617.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 - Interfund Transfers

During 2017, the general fund transferred \$910,000 to the general bond retirement debt service fund as debt payments came due and \$23,000 to other governmental funds to provide additional resources for current operations. Other governmental funds made transfers in the amount of \$405,000 to the debt service fund as debt payments came due. The sanitary sewer enterprise fund transferred \$3,127 to the road improvement capital projects fund for debt payments.

Note 10 - 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.

Grants

For the period January 1, 2017 to December 31, 2017, 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 - Capital Assets

A summary of changes in capital assets during 2017 follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,001,655	\$0	\$0	\$7,001,655
Construction in Progress	31,044	661,882	0	692,926
<i>Total Nondepreciable Capital Assets</i>	<u>7,032,699</u>	<u>661,882</u>	<u>0</u>	<u>7,694,581</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	\$18,056,860	\$0	(\$19,910)	\$18,036,950
Buildings and Improvements	9,454,835	0	(3,300)	9,451,535
Machinery and Equipment	4,089,067	408,489	(209,408)	4,288,148
Vehicles	5,122,735	524,367	(52,059)	5,595,043
Infrastructure	27,115,499	0	0	27,115,499
<i>Total Depreciable Capital Assets</i>	<u>63,838,996</u>	<u>932,856</u>	<u>(284,677)</u>	<u>64,487,175</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(5,482,317)	(371,669)	11,515	(5,842,471)
Buildings and Improvements	(5,498,943)	(183,101)	3,300	(5,678,744)
Machinery and Equipment	(2,903,431)	(185,879)	187,480	(2,901,830)
Vehicles	(3,519,953)	(256,471)	52,059	(3,724,365)
Infrastructure	(19,715,511)	(1,092,314)	0	(20,807,825)
<i>Total Accumulated Depreciation</i>	<u>(37,120,155)</u>	<u>(2,089,434) *</u>	<u>254,354</u>	<u>(38,955,235)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>26,718,841</u>	<u>(1,156,578)</u>	<u>(30,323)</u>	<u>25,531,940</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$33,751,540</u>	<u>(\$494,696)</u>	<u>(\$30,323)</u>	<u>\$33,226,521</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$23,640
Security of Persons and Property	280,342
Transportation	521,194
Community Environment	1,563
Basic Utility Services	1,092,314
Leisure Time Activities	170,381
Total	<u>\$2,089,434</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Business-Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	115,065	140,948	0	256,013
<i>Total Nondepreciable Capital Assets</i>	<u>190,621</u>	<u>140,948</u>	<u>0</u>	<u>331,569</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	2,862,787	0	0	2,862,787
Machinery and Equipment	787,590	7,011	(22,612)	771,989
Vehicles	579,094	0	0	579,094
Infrastructure				
Sewers	9,615,247	0	0	9,615,247
<i>Total Depreciable Capital Assets</i>	<u>13,844,718</u>	<u>7,011</u>	<u>(22,612)</u>	<u>13,829,117</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,131,657)	(60,107)	0	(1,191,764)
Machinery and Equipment	(235,934)	(70,452)	20,818	(285,568)
Vehicles	(451,215)	(10,406)	0	(461,621)
Infrastructure				
Sewers	(7,728,102)	(58,600)	0	(7,786,702)
<i>Total Accumulated Depreciation</i>	<u>(9,546,908)</u>	<u>(199,565)</u>	<u>20,818</u>	<u>(9,725,655)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>4,297,810</u>	<u>(192,554)</u>	<u>(1,794)</u>	<u>4,103,462</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$4,488,431</u>	<u>(\$51,606)</u>	<u>(\$1,794)</u>	<u>\$4,435,031</u>

Note 12 - Risk Management

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

During 2017, the City participated in NORMA (Note 18), an insurance pool, for the following types of insurance:

Type	Coverage
Property	\$47,059,744
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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

In prior years, the City participated in the State Workers' Compensation retrospective rating and payment system. During 2017, the City no longer participated in the retrospective rating and payment system. The maintenance of outstanding claims benefits is accounted for in the general fund. Outstanding claims of \$28,283 have been accrued as a liability at December 31, 2017 based on an estimate by the City.

The outstanding claims liability of \$28,283 reported at December 31, 2017, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the workers' compensation claims liability amount in 2016 and 2017 were:

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2016	\$27,558	\$40,937	\$27,558	\$40,937
2017	40,937	28,283	40,937	28,283

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.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
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 \$265,311 for 2017. Of this amount, \$23,270 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 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. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$712,177 for 2017. Of this amount, \$56,480 is reported as an intergovernmental payable.

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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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.015464%	0.1698210%	
Prior Measurement Date	<u>0.016015%</u>	<u>0.1735800%</u>	
Change in Proportionate Share	<u>-0.0005510%</u>	<u>-0.0037590%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,511,613	\$10,756,292	\$14,267,905
Pension Expense	\$597,941	\$1,237,829	\$1,835,770

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$4,760	\$3,043	\$7,803
Changes of assumptions	556,985	0	\$556,985
Net difference between projected and actual earnings on pension plan investments	522,960	1,046,002	1,568,962
City contributions subsequent to the measurement date	<u>265,311</u>	<u>712,177</u>	<u>977,488</u>
Total Deferred Outflows of Resources	<u>\$1,350,016</u>	<u>\$1,761,222</u>	<u>\$3,111,238</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$20,899	\$24,765	\$45,664
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>191,917</u>	<u>404,878</u>	<u>\$596,795</u>
Total Deferred Inflows of Resources	<u>\$212,816</u>	<u>\$429,643</u>	<u>\$642,459</u>

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\$977,488 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, 2018. 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:	OPERS	OP&F	Total
2018	\$292,038	\$307,544	\$599,582
2019	411,198	307,544	718,742
2020	183,982	212,754	396,736
2021	(15,329)	(160,684)	(176,013)
2022	0	(44,482)	(44,482)
Thereafter	0	(3,274)	(3,274)
Total	<u>\$871,889</u>	<u>\$619,402</u>	<u>\$1,491,291</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.

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, 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, 2015. The prior 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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 below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 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 contractually required rates, as actuarially determined. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$5,364,771	\$3,511,613	\$1,967,330

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F'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, 2016, are presented below:

Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
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
	plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 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 OP&F's target asset allocation as of December 31, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
	120.00 %	

Note: Assumptions are geometric.

* levered 2x

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OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F'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	\$14,326,106	\$10,756,292	\$7,730,826

Changes between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

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 pension 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.

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OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 below 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 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, 2017, 2016, and 2015 was \$20,428, \$39,890, and \$39,865, respectively. For 2017, 91.80 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

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Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F 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.

OP&F 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 OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F 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.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F 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 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 OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions 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 OP&F 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 OP&F for the years ended December 31, 2017, 2016, and 2015 were \$728,783, \$790,465, and \$816,099, respectively, of which \$16,606, \$17,993, and \$18,674, respectively, was allocated to the healthcare plan. For 2017, 92 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 2016 and 2015.

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
Governmental Activities:			
<i>General Obligation Bonds:</i>			
2004 Various Purpose Bonds	2.5-5%	\$60,000	2031
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
<i>Capital Leases:</i>			
Loader	3.30%	139,853	2022
Ambulance 1	3.04%	196,519	2021
Ambulance 2	3.24%	199,545	2020
Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Business-Type Activities:			
<i>OPWC Loans:</i>			
Robin/Forest/King Drive Pump Stations	0%	\$50,000	2030
Quentin Road Pump Station	0	100,292	2032

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Changes in long-term obligations of the City during 2017 were as follows:

	Balance 1/1/2017	Increase	Decrease	Balance 12/31/2017	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2004 Various Purpose Bonds - Term	\$60,000	\$0	\$0	\$60,000	\$0
2011 Tax Exempt Various Purpose Refunding Bonds:					
Serial	5,910,000	0	600,000	5,310,000	610,000
Term	1,375,000	0	0	1,375,000	0
Total 2011 Various Purpose Bonds	<u>7,285,000</u>	<u>0</u>	<u>600,000</u>	<u>6,685,000</u>	<u>610,000</u>
2013 Capital Facilities Refunding Bonds:					
Serial	1,415,000	0	190,000	1,225,000	190,000
Term	2,075,000	0	0	2,075,000	0
Discount	(21,043)	0	(1,146)	(19,897)	0
Total 2013 Capital Facilities Refunding Bonds	<u>3,468,957</u>	<u>0</u>	<u>188,854</u>	<u>3,280,103</u>	<u>190,000</u>
2014 Capital Facilities Bonds - Serial	<u>180,000</u>	<u>0</u>	<u>60,000</u>	<u>120,000</u>	<u>60,000</u>
2015 City Hall Refunding Bonds - Serial	<u>280,000</u>	<u>0</u>	<u>280,000</u>	<u>0</u>	<u>0</u>
<i>Total General Obligation Bonds</i>	<u>11,273,957</u>	<u>0</u>	<u>1,128,854</u>	<u>10,145,103</u>	<u>860,000</u>
OPWC Loans:					
North Parkway Road and Sewer	6,250	0	2,500	3,750	2,500
Parkland Drive Road and Sewer	5,605	0	1,245	4,360	1,245
Stevens Boulevard Road and Sewer	11,056	0	2,457	8,599	2,457
East Overlook Road, Storm and Sanitary Sewer	9,189	0	1,312	7,877	1,313
Roberts Road Improvements	63,750	0	7,500	56,250	7,500
Plymouth Road and Sewer	27,645	0	2,910	24,735	2,910
Roberts Road Improvements-Phase 2	72,381	0	4,825	67,556	4,825
Edison and Mondamin Storm Sewer	29,177	0	1,882	27,295	1,882
<i>Total OPWC Loans</i>	<u>225,053</u>	<u>0</u>	<u>24,631</u>	<u>200,422</u>	<u>24,632</u>
Capital Leases:					
Loader	0	139,853	18,647	121,206	27,971
Ambulance 1	0	196,519	38,164	158,355	37,809
Ambulance 2	0	199,545	0	199,545	64,406
<i>Total Capital Leases</i>	<u>0</u>	<u>535,917</u>	<u>56,811</u>	<u>479,106</u>	<u>130,186</u>
Other Long-Term Obligations:					
Compensated Absences Payable	1,213,410	226,493	199,862	1,240,041	226,532
Workers' Compensation Liability	40,937	28,283	40,937	28,283	28,283
<i>Total Other Long-Term Obligations</i>	<u>1,254,347</u>	<u>254,776</u>	<u>240,799</u>	<u>1,268,324</u>	<u>254,815</u>
Net Pension Liability:					
OPERS	2,301,587	613,052	0	2,914,639	0
OPF	11,166,524	0	410,232	10,756,292	0
<i>Total Net Pension Liability</i>	<u>13,468,111</u>	<u>613,052</u>	<u>410,232</u>	<u>13,670,931</u>	<u>0</u>
Total Governmental Activities	<u>\$26,221,468</u>	<u>\$1,403,745</u>	<u>\$1,861,327</u>	<u>\$25,763,886</u>	<u>\$1,269,633</u>

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

	Balance 1/1/2017	Increase	Decrease	Balance 12/31/2017	Amounts Due in One Year
Business-Type Activities:					
OPWC Loans:					
Robin/Forest/King Drive Pump Stations	\$33,750	\$0	\$2,500	\$31,250	\$2,500
Quentin Road Pump Station	80,232	0	5,015	75,217	5,015
<i>Total OPWC Loans</i>	<u>113,982</u>	<u>0</u>	<u>7,515</u>	<u>106,467</u>	<u>7,515</u>
Other Long-Term Obligations:					
Compensated Absences Payable	54,119	13,626	14,152	53,593	16,405
Net Pension Liability:					
OPERS	472,412	124,562	0	596,974	0
Total Business-Type Activities	<u>\$640,513</u>	<u>\$138,188</u>	<u>\$21,667</u>	<u>\$757,034</u>	<u>\$23,920</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.

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, 2017 is \$6,565,000.

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.

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, 2017 is \$4,790,000.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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>	8/1/2025	8/1/2028	8/1/2031

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 and were fully retired during 2017.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Workers' Compensation and Net Pension Liability The workers' compensation liability will be paid from the general fund. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Street Maintenance, Federal Grants, Sanitary Sewer, Police Pension and Fire Pension. For additional information related to the net pension liability see Note 13.

The City's overall legal debt margin was \$34,626,138 with an unvoted debt margin of \$10,543,134 at December 31, 2017.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2017, were as follows:

Governmental Activities					
General Obligation Bonds					
Year	Serial		Term		OPWC Loans
	Principal	Interest	Principal	Interest	
2018	\$860,000	\$323,633	\$0	\$3,000	\$24,632
2019	885,000	306,309	0	3,000	23,384
2020	840,000	282,988	0	3,000	22,133
2021	860,000	260,195	0	3,000	20,279
2022	210,000	96,900	675,000	140,495	16,976
2023-2027	3,000,000	323,602	1,715,000	415,395	62,334
2028-2032	0	0	1,120,000	123,694	28,799
2033-2035	0	0	0	0	1,885
Total	\$6,655,000	\$1,593,627	\$3,510,000	\$691,584	\$200,422

Business-Type Activities	
OPWC Loans	
Year	Principal
2018	\$7,515
2019	7,515
2020	7,515
2021	7,515
2022	7,515
2023-2027	37,574
2028-2032	31,318
Total	\$106,467

Note 16 - 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 17 - 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 ensuring 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 2017, 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.

Note 18 - 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 2017, the City of Eastlake paid \$156,035 in premiums from the general fund and special revenue funds, which represents 6.72 percent of the total premiums paid by all members. Financial information can be obtained by contacting Robert Tribbey, 6154 Mayfield Road, Mayfield Heights, Ohio 44124.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 19 - 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.

Note 20 – Willoughby-Eastlake Joint Sewer Treatment Facility

In 1955, the City entered into an agreement with the City of Willoughby for the purpose of financing and constructing a joint sewer treatment facility. The agreement has been amended 13 times since. The joint sewer treatment facility includes a sewer plant, outfalls and joint sewers. The sewer plant and improvements were constructed by the City of Willoughby. The outflows were constructed and financed by the City of Eastlake and conveyed to the City of Willoughby upon completion. The joint sewers were constructed by the City of Willoughby and financed jointly by both cities. The City of Willoughby holds legal title to the sewer plant and improvements made to the facility, outflows and joint sewers. The City of Willoughby operates and manages the plant and joint sewers. Each city is responsible for all sewer lines constructed within their corporate limits with connection to the joint sewer facility. The City of Willoughby bills the City of Eastlake on a monthly basis for services provided, maintenance and construction improvements of the joint sewer facilities. The billing is based upon flow measured by meters and includes a contribution for future capital improvements to the joint sewer treatment facility. The agreement has been amended for the City to contribute an amount equal to fifty percent of all costs associated with the capital improvement projects. Although the joint sewer treatment facility is managed by the Willoughby-Eastlake Joint Sewer Advisory Committee appointed by the cities of Willoughby and Eastlake, ultimately the joint sewer treatment facility is part of the City of Willoughby's reporting entity. The City paid \$969,000 to the City of Willoughby for the joint sewer treatment facility in 2017 which is accounted for in the City's sewer enterprise fund.

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	\$143,293
Road Improvements	37,451
Other Governmental Funds	37,083
<i>Total Governmental Funds</i>	<u>217,827</u>
Proprietary Fund:	
Sanitary Sewer	16,731
Storm Water Management	14,500
<i>Total Proprietary Funds</i>	<u>31,231</u>
<i>Total Encumbrances</i>	<u>\$249,058</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 22 – Subsequent Events

In 2018, the City signed a loan agreement with the Ohio Water Development Authority in the amount of \$4,410,626 to cover the costs of replacing sanitary sewer lines along Waverly Road. The loan has an interest rate of 2.08 percent and will mature in 2039.

In 2018, the City signed an agreement with Ohio Public Works Commission to make improvements to Willowick Drive. A zero percent loan has been approved in the amount of \$350,000 and a grant has been approved for \$150,000.

In 2018, the City signed an agreement with the Ohio Department of Transportation to make improvements to Stevens Boulevard in the amount of \$2,527,875 that will be paid for with 80 percent by ODOT and 20 percent paid by the City.

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 Four Years (1)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.015464%	0.016015%	0.019401%	0.019401%
City's Proportionate Share of the Net Pension Liability	\$3,511,613	\$2,773,999	\$2,339,977	\$2,287,125
City's Covered Payroll	\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,628
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.67%	139.17%	98.38%	90.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

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 Four Years (1)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.169821%	0.173580%	0.182027%	0.182027%
City's Proportionate Share of the Net Pension Liability	\$10,756,292	\$11,166,524	\$9,429,747	\$8,865,276
City's Covered Payroll	\$3,598,541	\$3,734,855	\$3,566,749	\$3,396,064
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	298.91%	298.98%	264.38%	261.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$265,311	\$239,881	\$239,190	\$285,435	\$327,942
Contributions in Relation to the Contractually Required Contribution	<u>(265,311)</u>	<u>(239,881)</u>	<u>(239,190)</u>	<u>(285,435)</u>	<u>(327,942)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,040,854	\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,628
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$712,177	\$772,472	\$797,425	\$761,770	\$612,833
Contributions in Relation to the Contractually Required Contribution	<u>(712,177)</u>	<u>(772,472)</u>	<u>(797,425)</u>	<u>(761,770)</u>	<u>(612,833)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,321,193	\$3,598,541	\$3,734,854	\$3,566,749	\$3,396,064
Contributions as a Percentage of Covered Payroll	21.44%	21.47%	21.35%	21.36%	18.05%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$527,697	\$645,508	\$643,005	\$669,622	\$610,901
<u>(527,697)</u>	<u>(645,508)</u>	<u>(643,005)</u>	<u>(669,622)</u>	<u>(610,901)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,542,262	\$4,356,623	\$4,343,805	\$4,559,814	\$4,189,433
14.90%	14.82%	14.80%	14.69%	14.58%

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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, 2016. 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 2016 are as follows:

- The City continues to focus on the maintenance and repair of streets. The City is working on repairs to Willowick Drive and Lakeshore Boulevard.
- The City is working on the Quentin Road equalization basin, a large sewer project. This is an \$8.2 million project split 50 percent with the City of Willoughby.

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 finances. 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 2016?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) 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.

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.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The statement of activities presents information showing how the City'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 20 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.

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.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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 2016 compared to 2015.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$8,466,418	\$7,949,220	\$5,037,177	\$4,362,498	\$13,503,595	\$12,311,718
Capital Assets, Net	33,751,540	34,182,814	4,488,431	4,537,563	38,239,971	38,720,377
Total Assets	42,217,958	42,132,034	9,525,608	8,900,061	51,743,566	51,032,095
Deferred Outflows of Resources						
Deferred Charge on Refunding	475,250	518,601	0	0	475,250	518,601
Pension	3,465,506	1,516,915	180,605	50,967	3,646,111	1,567,882
Total Deferred Outflows of Resources	3,940,756	2,035,516	180,605	50,967	4,121,361	2,086,483
Liabilities						
Current Liabilities	616,350	599,558	24,465	22,025	640,815	621,583
Long-Term Liabilities						
Due Within One Year	1,395,431	1,375,306	21,667	22,623	1,417,098	1,397,929
Due in More Than One Year	11,357,926	12,555,359	146,434	150,452	11,504,360	12,705,811
Net Pension Liability	13,468,111	11,442,127	472,412	327,597	13,940,523	11,769,724
Total Liabilities	26,837,818	25,972,350	664,978	522,697	27,502,796	26,495,047
Deferred Inflows of Resources						
Property Tax	2,563,006	2,421,002	0	0	2,563,006	2,421,002
Pension	637,304	35,354	9,128	5,755	646,432	41,109
Total Deferred Inflows of Resources	3,200,310	2,456,356	9,128	5,755	3,209,438	2,462,111
Net Position						
Net Investment in Capital Assets	22,805,646	22,151,604	4,374,449	4,416,066	27,180,095	26,567,670
Restricted for:						
Capital Projects	662,075	869,937	0	0	662,075	869,937
Other Purposes	1,199,168	1,240,019	0	0	1,199,168	1,240,019
Unrestricted (Deficit)	(8,546,303)	(8,522,716)	4,657,658	4,006,510	(3,888,645)	(4,516,206)
Total Net Position	\$16,120,586	\$15,738,844	\$9,032,107	\$8,422,576	\$25,152,693	\$24,161,420

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, 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.

City of Eastlake, Ohio
Management's Discussion and Analysis
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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.

GASB 68 requires the net pension liability to equal 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.

Total net position for governmental activities showed an increase from 2015. This was largely due to increases in income tax collections as well as changes in deferred outflows and net pension liability. The significant increase in total deferred outflow of resources in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

City of Eastlake, Ohio
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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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$2,029,329	\$1,175,923	\$2,744,448	\$2,503,891	\$4,773,777	\$3,679,814
Operating Grants and Contributions	1,455,937	1,162,901	0	0	1,455,937	1,162,901
Capital Grants and Interest	322,626	83,223	0	0	322,626	83,223
Total Program Revenues	3,807,892	2,422,047	2,744,448	2,503,891	6,552,340	4,925,938
General Revenues						
Property Taxes	2,489,073	2,469,890	0	0	2,489,073	2,469,890
Municipal Income Taxes	6,020,873	5,402,035	0	0	6,020,873	5,402,035
Hotel Taxes	46,844	55,760	0	0	46,844	55,760
Permissive MVL Taxes	77,648	179,653	0	0	77,648	179,653
Grants and Entitlements	1,211,502	1,431,691	0	0	1,211,502	1,431,691
Franchise Taxes	234,784	289,251	0	0	234,784	289,251
Interest	20,702	8,598	0	0	20,702	8,598
Unrestricted Contributions	11,386	31,831	0	0	11,386	31,831
Other	16,665	80,624	0	0	16,665	80,624
Total General Revenues	10,129,477	9,949,333	0	0	10,129,477	9,949,333
Total Revenues	13,937,369	12,371,380	2,744,448	2,503,891	16,681,817	14,875,271
Program Expenses						
General Government	2,993,603	3,218,760	0	0	2,993,603	3,218,760
Security of Persons and Property	6,712,614	6,172,632	0	0	6,712,614	6,172,632
Public Health Services	163,033	149,635	0	0	163,033	149,635
Transportation	1,409,533	1,904,991	0	0	1,409,533	1,904,991
Community Environment	250,565	219,551	0	0	250,565	219,551
Basic Utility Services	1,099,421	987,830	0	0	1,099,421	987,830
Leisure Time Activities	520,649	623,600	0	0	520,649	623,600
Interest and Fiscal Charges	409,336	424,268	0	0	409,336	424,268
Sanitary Sewer	0	0	1,884,662	1,950,273	1,884,662	1,950,273
Storm Water	0	0	247,128	91,501	247,128	91,501
Total Expenses	13,558,754	13,701,267	2,131,790	2,041,774	15,690,544	15,743,041
Increase (Decrease) in Net Position						
Before Transfers	378,615	(1,329,887)	612,658	462,117	991,273	(867,770)
Transfers	3,127	3,126	(3,127)	(3,126)	0	0
Change in Net Position	381,742	(1,326,761)	609,531	458,991	991,273	(867,770)
Net Position Beginning of Year	15,738,844	17,065,605	8,422,576	7,963,585	24,161,420	25,029,190
Net Position End of Year	\$16,120,586	\$15,738,844	\$9,032,107	\$8,422,576	\$25,152,693	\$24,161,420

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
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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 9.8 mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, a .5 mill fire levy and a new additional 4.5 mill fire levy. The 1.8 mill operating levy was renewed by the voters on May 2, 2017. The .5 mill fire levy was renewed by the voters in the November 2010 election and an additional 4.5 mill fire levy was passed by the voters on May 2, 2017. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services. During 2016, property tax revenues remained fairly consistent with the previous year due to similar levels of collections and delinquencies. Municipal income taxes saw an increase from 2015 due to increased economic development. Grants and entitlements decreased as a result of a decrease in local government funding received.

Program expenses decreased from 2015 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 2016. 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 grants and entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$2,993,603	(\$2,486,436)	\$3,218,760	(\$2,991,884)
Security of Persons and Property	6,712,614	(5,278,932)	6,172,632	(5,485,624)
Public Health Services	163,033	(134,800)	149,635	(138,749)
Transportation	1,409,533	(255,097)	1,904,991	(1,031,785)
Community Environment	250,565	(144,618)	219,551	(203,283)
Basic Utility Services	1,099,421	(693,637)	987,830	(545,195)
Leisure Time Activities	520,649	(348,006)	623,600	(458,432)
Interest and Fiscal Charges	409,336	(409,336)	424,268	(424,268)
Total	\$13,558,754	(\$9,750,862)	\$13,701,267	(\$11,279,220)

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 2016 increased due to an increase in collections. The expenses increased significantly due to ongoing storm water maintenance.

City of Eastlake, Ohio
Management's Discussion and Analysis
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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 the City's net resources. Governmental fund information can be found beginning on page 80 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 small increase in fund balance as a result of careful budgeting. 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 2016, 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 due to less municipal income taxes and intergovernmental revenue 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 2016 balances of capital assets as compared to 2015.

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

	Governmental	Governmental	Business-Type	Business-Type	Total	
	Activities	Activities	Activities	Activities	2016	2015
	2016	2015	2016	2015		
Land	\$7,001,655	\$7,001,655	\$75,556	\$75,556	\$7,077,211	\$7,077,211
Construction in Progress	31,044	327,036	115,065	0	146,109	327,036
Land Improvements	12,574,543	12,864,864	0	0	12,574,543	12,864,864
Buildings and Improvements	3,955,892	4,131,612	1,731,130	1,793,193	5,687,022	5,924,805
Machinery and Equipment	1,185,636	1,169,621	551,656	584,233	1,737,292	1,753,854
Vehicles	1,602,782	1,714,245	127,879	138,836	1,730,661	1,853,081
Infrastructure	7,399,988	6,973,781	1,887,145	1,945,745	9,287,133	8,919,526
Total Capital Assets	\$33,751,540	\$34,182,814	\$4,488,431	\$4,537,563	\$38,239,971	\$38,720,377

City of Eastlake, Ohio
Management's Discussion and Analysis
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For 2016, the primary additions for governmental activities included the rehabilitation improvements to Willowick Drive and Lakeshore Boulevard.

The City is engaged in a large storm water project on Quentin road which constitutes additions to construction in progress for business-type activities. Additional information concerning the City's capital assets can be found in Note 11 to the basic financial statements.

Debt

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2016.

Table 5
 Outstanding Long-Term Obligations at Year End

	Governmental	Governmental	Business-Type	Business-Type	Total	
	Activities	Activities	Activities	Activities	2016	2015
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$11,273,957	\$12,387,842	\$0	\$0	\$11,273,957	\$12,387,842
OPWC Loans	225,053	249,685	113,982	121,497	339,035	371,182
Compensated Absences	1,213,410	1,265,580	54,119	51,578	1,267,529	1,317,158
Workers' Compensation Liability	40,937	27,558	0	0	40,937	27,558
Net Pension Liability	13,468,111	11,442,127	472,412	327,597	13,940,523	11,769,724
Total	\$26,221,468	\$25,372,792	\$640,513	\$500,672	\$26,861,981	\$25,873,464

At December 31, 2016, 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. 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.

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.

Basic Financial Statements

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City of Eastlake, Ohio

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,050,052	\$4,133,610	\$6,183,662
Accounts Receivable	316,321	802,603	1,118,924
Intergovernmental Receivable	1,030,217	0	1,030,217
Municipal Income Taxes Receivable	1,869,750	0	1,869,750
Hotel Taxes Receivable	1,997	0	1,997
Franchise Taxes Receivable	26,562	0	26,562
Permissive Motor Vehicle Taxes Receivable	66,574	0	66,574
Prepaid Items	85,515	0	85,515
Materials and Supplies Inventory	58,381	2,903	61,284
Property Taxes Receivable	2,961,049	0	2,961,049
Special Assessments Receivable	0	98,061	98,061
Nondepreciable Capital Assets	7,032,699	190,621	7,223,320
Depreciable Capital Assets, Net	26,718,841	4,297,810	31,016,651
<i>Total Assets</i>	<u>42,217,958</u>	<u>9,525,608</u>	<u>51,743,566</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding Pension	475,250	0	475,250
	3,465,506	180,605	3,646,111
<i>Total Deferred Outflows of Resources</i>	<u>3,940,756</u>	<u>180,605</u>	<u>4,121,361</u>
Liabilities			
Accounts Payable	92,297	2,349	94,646
Contracts Payable	219,494	11,567	231,061
Accrued Wages	106,154	6,556	112,710
Matured Compensated Absences Payable	32,374	0	32,374
Intergovernmental Payable	95,406	3,993	99,399
Accrued Interest Payable	70,625	0	70,625
Long-Term Liabilities:			
Due Within One Year	1,395,431	21,667	1,417,098
Due In More Than One Year	11,357,926	146,434	11,504,360
Net Pension Liability (See Note 13)	13,468,111	472,412	13,940,523
<i>Total Liabilities</i>	<u>26,837,818</u>	<u>664,978</u>	<u>27,502,796</u>
Deferred Inflows of Resources			
Property Taxes	2,563,006	0	2,563,006
Pension	637,304	9,128	646,432
<i>Total Deferred Inflows of Resources</i>	<u>3,200,310</u>	<u>9,128</u>	<u>3,209,438</u>
Net Position			
Net Investment in Capital Assets	22,805,646	4,374,449	27,180,095
Restricted for:			
Capital Projects	662,075	0	662,075
Other Purposes	1,199,168	0	1,199,168
Unrestricted (Deficit)	(8,546,303)	4,657,658	(3,888,645)
<i>Total Net Position</i>	<u>\$16,120,586</u>	<u>\$9,032,107</u>	<u>\$25,152,693</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Interest
Governmental Activities:				
Current:				
General Government	\$2,993,603	\$507,167	\$0	\$0
Security of Persons and Property	6,712,614	884,405	533,015	16,262
Public Health Services	163,033	28,233	0	0
Transportation	1,409,533	15,778	832,294	306,364
Community Environment	250,565	105,947	0	0
Basic Utility Services	1,099,421	405,784	0	0
Leisure Time Activities	520,649	82,015	90,628	0
Interest and Fiscal Charges	409,336	0	0	0
<i>Total Governmental Activities</i>	<u>13,558,754</u>	<u>2,029,329</u>	<u>1,455,937</u>	<u>322,626</u>
Business-Type Activities:				
Sanitary Sewer	1,884,662	2,517,604	0	0
Storm Water	247,128	226,844	0	0
<i>Total Business-Type Activities</i>	<u>2,131,790</u>	<u>2,744,448</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$15,690,544</u>	<u>\$4,773,777</u>	<u>\$1,455,937</u>	<u>\$322,626</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

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,486,436)	\$0	(\$2,486,436)
(5,278,932)	0	(5,278,932)
(134,800)	0	(134,800)
(255,097)	0	(255,097)
(144,618)	0	(144,618)
(693,637)	0	(693,637)
(348,006)	0	(348,006)
(409,336)	0	(409,336)
(9,750,862)	0	(9,750,862)
0	632,942	632,942
0	(20,284)	(20,284)
0	612,658	612,658
(9,750,862)	612,658	(9,138,204)
1,141,859	0	1,141,859
182,582	0	182,582
118,527	0	118,527
118,538	0	118,538
148,548	0	148,548
779,019	0	779,019
6,020,873	0	6,020,873
46,844	0	46,844
77,648	0	77,648
1,211,502	0	1,211,502
234,784	0	234,784
20,702	0	20,702
11,386	0	11,386
16,665	0	16,665
10,129,477	0	10,129,477
3,127	(3,127)	0
10,132,604	(3,127)	10,129,477
381,742	609,531	991,273
15,738,844	8,422,576	24,161,420
\$16,120,586	\$9,032,107	\$25,152,693

City of Eastlake, Ohio

Balance Sheet

Governmental Funds

December 31, 2016

	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$640,704	\$776	\$446,293	\$922,374	\$2,010,147
Accounts Receivable	316,321	0	0	0	316,321
Intergovernmental Receivable	558,377	9,856	39,181	422,803	1,030,217
Municipal Income Taxes Receivable	1,869,750	0	0	0	1,869,750
Hotel Taxes Receivable	0	0	0	1,997	1,997
Franchise Taxes Receivable	26,562	0	0	0	26,562
Permissive Motor Vehicle Taxes Receivable	0	0	0	66,574	66,574
Prepaid Items	63,159	0	0	22,356	85,515
Materials and Supplies Inventory	6,874	0	29,216	22,291	58,381
Property Taxes Receivable	1,359,688	187,372	967,256	446,733	2,961,049
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents in Segregated Accounts	39,905	0	0	0	39,905
Total Assets	\$4,881,340	\$198,004	\$1,481,946	\$1,905,128	\$8,466,418
Liabilities					
Accounts Payable	\$42,820	\$0	\$0	\$49,477	\$92,297
Contracts Payable	1,246	0	218,248	0	219,494
Accrued Wages	97,445	0	0	8,709	106,154
Matured Compensated Absences Payable	32,374	0	0	0	32,374
Intergovernmental Payable	91,748	0	0	3,658	95,406
Total Liabilities	265,633	0	218,248	61,844	545,725
Deferred Inflows of Resources					
Property Taxes	1,186,246	163,224	825,952	387,584	2,563,006
Unavailable Revenue	1,631,690	34,004	180,485	427,928	2,274,107
Total Deferred Inflows of Resources	2,817,936	197,228	1,006,437	815,512	4,837,113
Fund Balances					
Nonspendable	109,938	0	29,216	44,647	183,801
Restricted	0	776	228,045	983,125	1,211,946
Assigned	89,128	0	0	0	89,128
Unassigned	1,598,705	0	0	0	1,598,705
Total Fund Balances	1,797,771	776	257,261	1,027,772	3,083,580
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$4,881,340	\$198,004	\$1,481,946	\$1,905,128	\$8,466,418

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, 2016*

Total Governmental Funds Balances	\$3,083,580
<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.	33,751,540
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	398,043
Intergovernmental	737,146
Municipal Income Taxes	831,061
Charges for Services	252,125
Permissive Sales Tax	55,732
Total	2,274,107
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(70,625)
Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	475,250
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(11,273,957)
OPWC Loans Payable	(225,053)
Compensated Absences Payable	(1,213,410)
Claims Payable	(40,937)
Total	(12,753,357)
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 Outflows - Pension	3,465,506
Net Pension Liability	(13,468,111)
Deferred Inflows - Pension	(637,304)
Total	(10,639,909)
<i>Net Position of Governmental Activities</i>	\$16,120,586

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, 2016

	General	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,181,290	\$181,276	\$809,793	\$387,351	\$2,559,710
Municipal Income Taxes	5,735,696	0	0	0	5,735,696
Hotel Taxes	0	0	0	46,844	46,844
Permissive Motor Vehicle Taxes	0	0	0	125,799	125,799
Intergovernmental	1,177,626	19,715	306,624	1,376,235	2,880,200
Charges for Services	615,331	0	0	81,693	697,024
Fees, Licenses and Permits	580,178	0	0	116,966	697,144
Franchise Taxes	234,784	0	0	0	234,784
Fines and Forfeitures	127,639	0	0	11,956	139,595
Interest	19,975	0	0	727	20,702
Rentals	0	0	0	323,087	323,087
Contributions and Donations	11,386	0	0	0	11,386
Other	16,665	0	0	0	16,665
<i>Total Revenues</i>	<u>9,700,570</u>	<u>200,991</u>	<u>1,116,417</u>	<u>2,470,658</u>	<u>13,488,636</u>
Expenditures					
Current:					
General Government	2,938,830	3,393	0	0	2,942,223
Security of Persons and Property	5,076,200	0	0	754,933	5,831,133
Public Health Services	163,033	0	0	0	163,033
Transportation	90,165	0	0	954,520	1,044,685
Community Environment	167,627	0	0	78,945	246,572
Basic Utility Services	5,798	0	0	0	5,798
Leisure Time Activities	236,596	0	0	124,378	360,974
Capital Outlay	0	0	1,128,706	354,468	1,483,174
Debt Service:					
Principal Retirement	0	1,115,000	24,632	0	1,139,632
Interest and Fiscal Charges	0	367,905	0	0	367,905
<i>Total Expenditures</i>	<u>8,678,249</u>	<u>1,486,298</u>	<u>1,153,338</u>	<u>2,267,244</u>	<u>13,585,129</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,022,321</u>	<u>(1,285,307)</u>	<u>(36,921)</u>	<u>203,414</u>	<u>(96,493)</u>
Other Financing Sources (Uses)					
Transfers In	0	1,286,000	3,127	14,400	1,303,527
Transfers Out	(855,400)	0	0	(445,000)	(1,300,400)
<i>Total Other Financing Sources (Uses)</i>	<u>(855,400)</u>	<u>1,286,000</u>	<u>3,127</u>	<u>(430,600)</u>	<u>3,127</u>
<i>Net Change in Fund Balances</i>	166,921	693	(33,794)	(227,186)	(93,366)
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$1,797,771</u>	<u>\$776</u>	<u>\$257,261</u>	<u>\$1,027,772</u>	<u>\$3,083,580</u>

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, 2016*

Net Change in Fund Balances - Total Governmental Funds (\$93,366)

*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	1,629,070	
Depreciation	(2,034,621)	
Total	(405,551)	(405,551)

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. (25,723)

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

Property Taxes	(70,637)	
Municipal Income Taxes	285,177	
Intergovernmental	54,133	
Charges for Services	172,479	
Permissive Sales Tax	7,581	
Total	448,733	448,733

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,139,632

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	3,035	
Amortization of Accounting Loss	(43,351)	
Amortization of Discount	(1,115)	
Total	(41,431)	(41,431)

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

Compensated Absences	52,170	
Claims	(13,379)	
Total	38,791	38,791

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows. 971,501

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,650,844)

Change in Net Position of Governmental Activities \$381,742

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,109,413	\$1,109,413	\$1,181,290	\$71,877
Municipal Income Taxes	6,335,000	6,335,000	5,856,405	(478,595)
Intergovernmental	1,232,064	1,232,064	1,185,052	(47,012)
Charges for Services	547,350	547,350	648,501	101,151
Fees, Licenses and Permits	435,902	435,902	580,178	144,276
Franchise Taxes	288,000	288,000	280,602	(7,398)
Fines and Forfeitures	109,500	109,500	127,639	18,139
Interest	8,000	8,000	19,975	11,975
Contributions and Donations	33,200	12,800	11,386	(1,414)
Other	16,650	16,650	16,665	15
<i>Total Revenues</i>	<u>10,115,079</u>	<u>10,094,679</u>	<u>9,907,693</u>	<u>(186,986)</u>
Expenditures				
Current:				
General Government	3,290,147	3,388,247	3,080,474	307,773
Security of Persons and Property	5,178,435	5,178,435	5,067,019	111,416
Public Health Services	163,033	163,033	163,033	0
Transportation	119,426	119,426	107,330	12,096
Community Environment	212,372	212,372	168,545	43,827
Basic Utility Services	15,500	15,500	5,798	9,702
Leisure Time Activities	315,365	315,365	239,282	76,083
<i>Total Expenditures</i>	<u>9,294,278</u>	<u>9,392,378</u>	<u>8,831,481</u>	<u>560,897</u>
<i>Excess of Revenues Over Expenditures</i>	820,801	702,301	1,076,212	373,911
Other Financing Uses				
Transfers Out	(883,400)	(883,400)	(855,400)	28,000
<i>Net Change in Fund Balance</i>	(62,599)	(181,099)	220,812	401,911
<i>Fund Balance Beginning of Year</i>	316,237	316,237	316,237	0
Prior Year Encumbrances Appropriated	48,587	48,587	48,587	0
<i>Fund Balance End of Year</i>	<u>\$302,225</u>	<u>\$183,725</u>	<u>\$585,636</u>	<u>\$401,911</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2016

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$4,041,861	\$91,749	\$4,133,610
Accounts Receivable	802,603	0	802,603
Materials and Supplies Inventory	2,903	0	2,903
<i>Total Current Assets</i>	<u>4,847,367</u>	<u>91,749</u>	<u>4,939,116</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	98,061	0	98,061
Nondepreciable Capital Assets	190,621	0	190,621
Depreciable Capital Assets, Net	4,297,810	0	4,297,810
<i>Total Noncurrent Assets</i>	<u>4,586,492</u>	<u>0</u>	<u>4,586,492</u>
<i>Total Assets</i>	<u>9,433,859</u>	<u>91,749</u>	<u>9,525,608</u>
Deferred Outflows of Resources			
Pension	180,605	0	180,605
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	1,994	355	2,349
Contracts Payable	324	11,243	11,567
Accrued Wages	6,556	0	6,556
Intergovernmental Payable	3,993	0	3,993
Compensated Absences Payable	14,152	0	14,152
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>34,534</u>	<u>11,598</u>	<u>46,132</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	39,967	0	39,967
OPWC Loan Payable	106,467	0	106,467
Net Pension Liability	472,412	0	472,412
<i>Total Long-Term Liabilities</i>	<u>618,846</u>	<u>0</u>	<u>618,846</u>
<i>Total Liabilities</i>	<u>653,380</u>	<u>11,598</u>	<u>664,978</u>
Deferred Inflows of Resources			
Pension	9,128	0	9,128
Net Position			
Net Investment in Capital Assets	4,374,449	0	4,374,449
Unrestricted	4,577,507	80,151	4,657,658
<i>Total Net Position</i>	<u>\$8,951,956</u>	<u>\$80,151</u>	<u>\$9,032,107</u>

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, 2016*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	<u>\$2,517,604</u>	<u>\$226,844</u>	<u>\$2,744,448</u>
Operating Expenses			
Personal Services	421,045	39,400	460,445
Contractual Services	1,264,962	196,485	1,461,447
Materials and Supplies	34,458	0	34,458
Depreciation	164,197	0	164,197
Capital Outlay	<u>0</u>	<u>11,243</u>	<u>11,243</u>
<i>Total Operating Expenses</i>	<u>1,884,662</u>	<u>247,128</u>	<u>2,131,790</u>
<i>Income (Loss) Before Transfers</i>	632,942	(20,284)	612,658
Transfers Out	<u>(3,127)</u>	<u>0</u>	<u>(3,127)</u>
<i>Change in Net Position</i>	629,815	(20,284)	609,531
<i>Net Position Beginning of Year</i>	<u>8,322,141</u>	<u>100,435</u>	<u>8,422,576</u>
<i>Net Position End of Year</i>	<u><u>\$8,951,956</u></u>	<u><u>\$80,151</u></u>	<u><u>\$9,032,107</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2016

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,514,053	\$226,844	\$2,740,897
Cash Payments to Suppliers for Goods and Services	(1,301,936)	(184,532)	(1,486,468)
Cash Payments for Employee Services and Benefits	(407,288)	(52,677)	(459,965)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>804,829</u>	<u>(10,365)</u>	<u>794,464</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(115,065)	0	(115,065)
Principal Paid on OPWC Loans	(7,515)	0	(7,515)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(122,580)</u>	<u>0</u>	<u>(122,580)</u>
Cash Flows from Noncapital Financing Activities			
Transfer Out	(3,127)	0	(3,127)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	679,122	(10,365)	668,757
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,362,739</u>	<u>102,114</u>	<u>3,464,853</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$4,041,861</u>	<u>\$91,749</u>	<u>\$4,133,610</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$632,942	(\$20,284)	\$612,658
Adjustments:			
Depreciation	164,197	0	164,197
(Increase) Decrease in Assets:			
Accounts Receivable	(24,403)	0	(24,403)
Special Assessments Receivable	20,852	0	20,852
Materials and Supplies Inventory	(2,371)	0	(2,371)
(Increase) Decrease in Deferred Outflows of Resources - Pension	(129,638)	0	(129,638)
Increase (Decrease) in Liabilities:			
Accounts Payable	(469)	(1,324)	(1,793)
Contracts Payable	324	11,243	11,567
Accrued Wages	1,796	0	1,796
Compensated Absences Payable	2,541	0	2,541
Intergovernmental Payable	(9,130)	0	(9,130)
Net Pension Liability	144,815	0	144,815
Increase (Decrease) in Deferred Inflows of Resources - Pension	3,373	0	3,373
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$804,829</u>	<u>(\$10,365)</u>	<u>\$794,464</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$46,138</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$46,138</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 one jointly governed organizations and an insurance purchasing pool. These organizations are the Northeast Ohio Public Energy Council 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 17, 18 and 19 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, 2016

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, 2016

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, 2016

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, grants and 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, 2016, but which were levied to finance year 2017 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, 2016

are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 81. 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 she maintains on her 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 statement 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, 2016

During 2016 the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$19,975, of which \$17,696 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, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Restricted Assets

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

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise 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, 2016

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 acquisition 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, 2016

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 first 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 a 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, 2016

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, 2016

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

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," GASB Statement No. 77, "Tax Abatement Disclosures," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements: however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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).

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

	General
GAAP Basis	\$166,921
Net Adjustment for Revenue Accruals	207,123
Net Adjustment for Expenditure Accruals	(58,259)
Encumbrances	(94,973)
Budget Basis	\$220,812

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
<i>Nonspendable:</i>					
Prepaid Items	\$63,159	\$0	\$0	\$22,356	\$85,515
Materials and Supplies Inventory	6,874	0	29,216	22,291	58,381
Unclaimed Monies	39,905	0	0	0	39,905
<i>Total Nonspendable</i>	109,938	0	29,216	44,647	183,801
<i>Restricted for:</i>					
Road Improvements	0	0	228,045	362,159	590,204
Public Safety	0	0	0	197,938	197,938
Fire Operations	0	0	0	84,270	84,270
Police and Fire Pension	0	0	0	34,840	34,840
Senior Citizens	0	0	0	24,688	24,688
Stadium Maintenance	0	0	0	107,251	107,251
Recreation Land Acquisition	0	0	0	171,979	171,979
Debt Service Payments	0	776	0	0	776
<i>Total Restricted</i>	0	776	228,045	983,125	1,211,946
<i>Assigned to:</i>					
<i>Purchases on order:</i>					
Salaries and Benefits	220	0	0	0	220
Materials and Supplies	7,271	0	0	0	7,271
Purchased and Contracted Services	22,216	0	0	0	22,216
Other Purposes	59,421	0	0	0	59,421
<i>Total Assigned</i>	89,128	0	0	0	89,128
<i>Unassigned</i>	1,598,705	0	0	0	1,598,705
<i>Total Fund Balances</i>	\$1,797,771	\$776	\$257,261	\$1,027,772	\$3,083,580

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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.

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, \$1,243,440 of the City's bank balance of \$6,229,799 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 five percent of the deposits being secured.

Investments

At December 31, 2016, the City had \$806,635 invested in STAR Ohio with an average maturity of 51.6 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, 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.

Special assessments expected to be collected in more than one year amount to \$98,061 in the sanitary sewer enterprise fund. At December 31, 2016, the amount of delinquent special assessments was \$67,073.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016 was \$8.30 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$267,585,293
Other Real Estate	96,816,653
Public Utility Personal Property	<u>55,765,094</u>
Total Assessed Values	<u><u>\$420,167,040</u></u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. 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:

	Amount
Governmental Activities:	
Local Government	\$491,937
Gasoline Tax	285,206
Homestead and Rollback	137,714
Auto Registration	70,597
Federal Grants	44,763
Total	\$1,030,217

Note 8 - Tax Abatements

As of December 31, 2016, the City provides tax abatements through Community Reinvestment Area (CRA) Tax Abatements.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established four Community Reinvestment Areas to provide property tax abatements to stimulate redevelopment by improvements and rehabilitation of properties located on Vine Street. Abatements are obtained through application by the property owner meeting a set of established goals outlined in the City of Eastlake Community Reinvestment Area Guidelines. The amount of the abatement is deducted from the recipient's tax bill. The values of taxes being abated total \$3,275.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 - Interfund Transfers

During 2016, the general fund transferred \$841,000 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 \$445,000 to the debt service fund as debt payments came due. The sewer enterprise fund transferred \$3,127 to the road improvement capital projects fund for debt payments.

Note 10 - 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.

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, 2016 to December 31, 2016, 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 - Capital Assets

A summary of changes in capital assets during 2016 follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,001,655	\$0	\$0	\$7,001,655
Construction in Progress	327,036	463,537	(759,529)	31,044
<i>Total Nondepreciable Capital Assets</i>	<u>7,328,691</u>	<u>463,537</u>	<u>(759,529)</u>	<u>7,032,699</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	17,977,085	79,775	0	18,056,860
Buildings and Improvements	9,446,970	7,865	0	9,454,835
Machinery and Equipment	3,940,799	222,117	(73,849)	4,089,067
Vehicles	5,027,260	95,475	0	5,122,735
Infrastructure	25,595,669	1,519,830	0	27,115,499
<i>Total Depreciable Capital Assets</i>	<u>61,987,783</u>	<u>1,925,062</u>	<u>(73,849)</u>	<u>63,838,996</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(5,112,221)	(370,096)	0	(5,482,317)
Buildings and Improvements	(5,315,358)	(183,585)	0	(5,498,943)
Machinery and Equipment	(2,771,178)	(180,379)	48,126	(2,903,431)
Vehicles	(3,313,015)	(206,938)	0	(3,519,953)
Infrastructure	(18,621,888)	(1,093,623)	0	(19,715,511)
<i>Total Accumulated Depreciation</i>	<u>(35,133,660)</u>	<u>(2,034,621) *</u>	<u>48,126</u>	<u>(37,120,155)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>26,854,123</u>	<u>(109,559)</u>	<u>(25,723)</u>	<u>26,718,841</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$34,182,814</u>	<u>\$353,978</u>	<u>(\$785,252)</u>	<u>\$33,751,540</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$31,585
Security of Persons and Property	247,919
Transportation	507,048
Community Environment	1,563
Basic Utility Services	1,093,623
Leisure Time Activities	152,883
Total	<u>\$2,034,621</u>

City of Eastlake, Ohio
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For the Year Ended December 31, 2016

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Business-Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	0	115,065	0	115,065
<i>Total Nondepreciable Capital Assets</i>	<u>75,556</u>	<u>115,065</u>	<u>0</u>	<u>190,621</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	2,862,787	0	0	2,862,787
Machinery and Equipment	787,590	0	0	787,590
Vehicles	579,094	0	0	579,094
Infrastructure				
Sewers	9,615,247	0	0	9,615,247
<i>Total Depreciable Capital Assets</i>	<u>13,844,718</u>	<u>0</u>	<u>0</u>	<u>13,844,718</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,069,594)	(62,063)	0	(1,131,657)
Machinery and Equipment	(203,357)	(32,577)	0	(235,934)
Vehicles	(440,258)	(10,957)	0	(451,215)
Infrastructure				
Sewers	(7,669,502)	(58,600)	0	(7,728,102)
<i>Total Accumulated Depreciation</i>	<u>(9,382,711)</u>	<u>(164,197)</u>	<u>0</u>	<u>(9,546,908)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>4,462,007</u>	<u>(164,197)</u>	<u>0</u>	<u>4,297,810</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$4,537,563</u>	<u>(\$49,132)</u>	<u>\$0</u>	<u>\$4,488,431</u>

Note 12 - Risk Management

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

During 2016, the City participated in NORMA (Note 18), 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.

City of Eastlake, Ohio
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In prior years, the City participated in the State Workers' Compensation retrospective rating and payment system. During 2016, the City no longer participated in the retrospective rating and payment system. The maintenance of outstanding claims benefits is accounted for in the general fund. Outstanding claims of \$40,937 have been accrued as a liability at December 31, 2016 based on an estimate by the City.

The outstanding claims liability of \$40,937 reported at December 31, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the workers' compensation claims liability amount in 2015 and 2016 were:

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2015	\$42,875	\$27,558	\$42,875	\$27,558
2016	27,558	40,937	27,558	40,937

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.

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.

City of Eastlake, Ohio
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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.

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, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
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 \$239,881 for 2016. Of this amount, \$20,103 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F 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 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.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$772,472 for 2016. Of this amount, \$57,753 is reported as an intergovernmental payable.

City of Eastlake, Ohio
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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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.016015%	0.1735800%	
Prior Measurement Date	<u>0.019401%</u>	<u>0.1820268%</u>	
Change in Proportionate Share	<u>-0.0033860%</u>	<u>-0.0084468%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,773,999	\$11,166,524	\$13,940,523
Pension Expense	\$264,622	\$1,445,624	\$1,710,246

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$815,383	\$1,817,482	\$2,632,865
Changes in proportion and differences between City contributions and proportionate share of contributions	893	0	893
City contributions subsequent to the measurement date	<u>239,881</u>	<u>772,472</u>	<u>1,012,353</u>
Total Deferred Outflows of Resources	<u>\$1,056,157</u>	<u>\$2,589,954</u>	<u>\$3,646,111</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$53,599	\$31,355	\$84,954
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>270,342</u>	<u>291,136</u>	<u>561,478</u>
Total Deferred Inflows of Resources	<u>\$323,941</u>	<u>\$322,491</u>	<u>\$646,432</u>

City of Eastlake, Ohio
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\$1,012,353 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, 2017. 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:	OPERS	OP&F	Total
2017	\$54,007	\$416,456	\$470,463
2018	67,045	416,456	483,501
2019	186,761	416,456	603,217
2020	184,522	312,373	496,895
2021	0	(56,096)	(56,096)
Thereafter	0	(10,654)	(10,654)
Total	\$492,335	\$1,494,991	\$1,987,326

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.

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 was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 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.

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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 0.4 percent for 2015.

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 below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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 contractually required rates, as actuarially determined. 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 County’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:

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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$4,419,660	\$2,773,999	\$1,385,938

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F'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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
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, simple

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.

City of Eastlake, Ohio
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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 OP&F's target asset allocation as of December 31, 2015, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F'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.

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	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$14,727,148	\$11,166,524	\$8,150,323

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 pension 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded 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 the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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 below 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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. 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 the Traditional Pension and Combined 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

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, 2016, 2015, and 2014 was \$39,890, \$39,865, and \$16,106, respectively. For 2016, 91.62 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Ohio 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 post-employment 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 Post Employment 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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. 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 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 contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$790,465, \$816,099, and \$795,842, respectively, of which \$17,993, \$18,674, and \$17,794, respectively, was allocated to the healthcare plan. For 2016, 92 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 2015 and 2014

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
Governmental Activities:			
<i>General Obligation Bonds:</i>			
2004 Various Purpose Bonds	2.5-5%	\$60,000	2031
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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Business-Type Activities:			
<i>OPWC Loans:</i>			
Robin/Forest/King Drive Pump Stations	0%	\$50,000	2030
Quentin Road Pump Station	0	100,292	2032

Changes in long-term obligations of the City during 2016 were as follows:

	Balance 1/1/2016	Increase	Decrease	Balance 12/31/2016	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2004 Various Purpose Bonds - Term	\$60,000	\$0	\$0	\$60,000	\$0
2011 Tax Exempt Various Purpose Refunding Bonds:					
Serial	6,505,000	0	595,000	5,910,000	600,000
Term	1,375,000	0	0	1,375,000	0
Total 2011 Various Purpose Bonds	7,880,000	0	595,000	7,285,000	600,000
2013 Capital Facilities Refunding Bonds:					
Serial	1,600,000	0	185,000	1,415,000	190,000
Term	2,075,000	0	0	2,075,000	0
Discount	(22,158)	0	(1,115)	(21,043)	0
Total 2013 Capital Facilities Refunding Bonds	3,652,842	0	183,885	3,468,957	190,000
2014 Capital Facilities Bonds - Serial	240,000	0	60,000	180,000	60,000
2015 City Hall Refunding Bonds - Serial	555,000	0	275,000	280,000	280,000
<i>Total General Obligation Bonds</i>	12,387,842	0	1,113,885	11,273,957	1,130,000
OPWC Loans:					
North Parkway Road and Sewer	8,750	0	2,500	6,250	2,500
Parkland Drive Road and Sewer	6,850	0	1,245	5,605	1,245
Stevens Boulevard Road and Sewer	13,513	0	2,457	11,056	2,457
East Overlook Road, Storm and Sanitary Sewer	10,502	0	1,313	9,189	1,313
Roberts Road Improvements	71,250	0	7,500	63,750	7,500
Plymouth Road and Sewer	30,555	0	2,910	27,645	2,910
Roberts Road Improvements-Phase 2	77,206	0	4,825	72,381	4,825
Edison and Mondamin Storm Sewer	31,059	0	1,882	29,177	1,882
<i>Total OPWC Loans</i>	249,685	0	24,632	225,053	24,632
Other Long-Term Obligations:					
Compensated Absences Payable	1,265,580	227,854	280,024	1,213,410	199,862
Workers' Compensation Liability	27,558	40,937	27,558	40,937	40,937
<i>Total Other Long-Term Obligations</i>	1,293,138	268,791	307,582	1,254,347	240,799
Net Pension Liability:					
OPERS	2,012,380	289,207	0	2,301,587	0
OPF	9,429,747	1,736,777	0	11,166,524	0
<i>Total Net Pension Liability</i>	11,442,127	2,025,984	0	13,468,111	0
Total Governmental Activities	\$25,372,792	\$2,294,775	\$1,446,099	\$26,221,468	\$1,395,431

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Balance 1/1/2016	Increase	Decrease	Balance 12/31/2016	Amounts Due in One Year
Business-Type Activities:					
OPWC Loans:					
Robin/Forest/King Drive Pump Stations	\$36,250	\$0	\$2,500	\$33,750	\$2,500
Quentin Road Pump Station	85,247	0	5,015	80,232	5,015
<i>Total OPWC Loans</i>	<u>121,497</u>	<u>0</u>	<u>7,515</u>	<u>113,982</u>	<u>7,515</u>
Other Long-Term Obligations:					
Capital Leases Payable	0	0	0	0	0
Compensated Absences Payable	51,578	20,417	17,876	54,119	14,152
<i>Total Other Long-Term Obligations</i>	<u>51,578</u>	<u>20,417</u>	<u>17,876</u>	<u>54,119</u>	<u>14,152</u>
Net Pension Liability:					
OPERS	327,597	144,815	0	472,412	0
Total Business-Type Activities	<u>\$500,672</u>	<u>\$165,232</u>	<u>\$25,391</u>	<u>\$640,513</u>	<u>\$21,667</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.

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, 2016 is \$7,095,000.

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.

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, 2016 is \$5,135,000.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, \$280,000 of the defeased bonds are still outstanding.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Street Maintenance, Federal Grants, Sanitary Sewer, Police Pension and Fire Pension. For additional information related to the net pension liability see Note 13.

The City's overall legal debt margin was \$29,276,652 with an unvoted debt margin of \$11,613,768 at December 31, 2016.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2016, were as follows:

Governmental Activities					
Year	General Obligation Bonds				OPWC Loans
	Serial		Term		
	Principal	Interest	Principal	Interest	
2017	\$1,130,000	\$344,403	\$0	\$3,000	\$24,632
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	860,000	260,195	0	3,000	18,825
2022-2026	2,660,000	400,564	2,110,000	496,384	71,145
2027-2031	550,000	19,938	1,400,000	183,200	38,414
2032-2035	0	0	0	0	1,888
Total	<u>\$7,785,000</u>	<u>\$1,938,030</u>	<u>\$3,510,000</u>	<u>\$694,584</u>	<u>\$225,053</u>

Business-Type Activities	
OPWC Loans	
Year	Principal
2017	\$7,515
2018	7,515
2019	7,515
2020	7,515
2021	7,515
2022-2026	37,575
2027-2031	33,825
2032-2035	5,007
Total	<u>\$113,982</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 - 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 17 - 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 ensuring 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 2016, 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.

Note 18 - 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016, the City of Eastlake paid \$152,985 in premiums from the general fund and special revenue funds, which represents 7.86 percent of the total premiums paid by all members. Financial information can be obtained by contacting Robert Tribbey, 6154 Mayfield Road, Mayfield Heights, Ohio 44124.

Note 19 - 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.

Note 20 – Willoughby-Eastlake Joint Sewer Treatment Facility

In 1955, the City entered into an agreement with the City of Willoughby for the purpose of financing and constructing a joint sewer treatment facility. The agreement has been amended 13 times since. The joint sewer treatment facility includes a sewer plant, outfalls and joint sewers. The sewer plant and improvements were constructed by the City of Willoughby. The outflows were constructed and financed by the City of Eastlake and conveyed to the City of Willoughby upon completion. The joint sewers were constructed by the City of Willoughby and financed jointly by both cities. The City of Willoughby holds legal title to the sewer plant and improvements made to the facility, outflows and joint sewers. The City of Willoughby operates and manages the plant and joint sewers. Each city is responsible for all sewer lines constructed within their corporate limits with connection to the joint sewer facility. The City of Willoughby bills the City of Eastlake on a monthly basis for services provided, maintenance and construction improvements of the joint sewer facilities. The billing is based upon flow measured by meters and includes a contribution for future capital improvements to the joint sewer treatment facility. The agreement has been amended for the City to contribute an amount equal to fifty percent of all costs associated with the capital improvement projects. Although the joint sewer treatment facility is managed by the Willoughby-Eastlake Joint Sewer Advisory Committee appointed by the cities of Willoughby and Eastlake, ultimately the joint sewer treatment facility is part of the City of Willoughby's reporting entity. The City paid \$996,000 to the City of Willoughby for the joint sewer treatment facility in 2016 which is accounted for in the City's sewer enterprise fund.

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:

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

General	\$94,973
Road Improvements	227,523
Other Governmental Funds	<u>56,153</u>
<i>Total Governmental Funds</i>	378,649
Proprietary Fund:	
Sanitary Sewer	9,813
Storm Water Management	<u>10,781</u>
<i>Total Proprietary Funds</i>	<u>20,594</u>
<i>Total Encumbrances</i>	<u><u>\$399,243</u></u>

Note 22 – Subsequent Event

The voters of the City of Eastlake renewed a 1.8 mill operating levy and passed a 4.5 mill fire levy on the May 2, 2017 ballot. The new levy is anticipated to generate \$2,016,485 annually.

During March and April 2017, the City entered into capital leases for an ambulance and a loader. The ambulance lease was financed through Santander Bank and its terms are 20 quarterly payments of \$10,549 each. The loader lease was financed through JCB Finance and its terms are 60 monthly payments of \$2,500 each.

Required Supplementary Information

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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 Three Years (1)

	2015	2014	2013
City's Proportion of the Net Pension Liability	0.016015%	0.019401%	0.019401%
City's Proportionate Share of the Net Pension Liability	\$2,773,999	\$2,339,977	\$2,287,125
City's Covered Payroll	\$1,993,250	\$2,378,625	\$2,522,628
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.17%	98.38%	90.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

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

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 Three Years (1)

	2015	2014	2013
City's Proportion of the Net Pension Liability	0.173580%	0.182027%	0.182027%
City's Proportionate Share of the Net Pension Liability	\$11,166,524	\$9,429,747	\$8,865,276
City's Covered Payroll	\$3,734,854	\$3,566,749	\$3,396,064
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	298.98%	264.38%	261.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.71%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$239,881	\$239,190	\$285,435	\$327,942
Contributions in Relation to the Contractually Required Contribution	<u>(239,881)</u>	<u>(239,190)</u>	<u>(285,435)</u>	<u>(327,942)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,628
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013

City of Eastlake, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$772,472	\$797,425	\$761,770	\$612,833	\$527,697
Contributions in Relation to the Contractually Required Contribution	<u>(772,472)</u>	<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>	<u>\$0</u>
City Covered Payroll	\$3,598,541	\$3,734,854	\$3,566,749	\$3,396,064	\$3,542,262
Contributions as a Percentage of Covered Payroll	21.47%	21.35%	21.36%	18.05%	14.90%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$645,508	\$643,005	\$669,622	\$610,901	\$263,493
<u>(645,508)</u>	<u>(643,005)</u>	<u>(669,622)</u>	<u>(610,901)</u>	<u>(263,493)</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
14.82%	14.80%	14.69%	14.58%	14.31%

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OHIO AUDITOR OF STATE KEITH FABER



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

City of Eastlake
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio (the City) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2019

OHIO AUDITOR OF STATE
KEITH FABER



CITY OF EASTLAKE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2019**