

***CITY OF EASTLAKE***

***LAKE COUNTY, OHIO***

***AUDIT REPORT***

**For the Years Ended December 31, 2019 and 2018**



CITY OF EASTLAKE  
LAKE COUNTY  
AUDIT REPORT

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*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the City Council:

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and the Fire and EMS Levy Fund thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
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The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. 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 2019 are as follows:

- In 2019, the City's governmental fund balance increased by \$3,270,860. The general fund increased by \$1,598,884.
- The City continues to focus on the maintenance and repair of streets. During 2019, the City began significant repair work on Willowick Drive and Stevens Boulevard.
- In 2019, the City continued work on a \$1.7 million project for storm sewer and pump station improvements to the Galalina Area Pump Station as well as a \$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 2019?" 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.

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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 two categories: governmental and proprietary.

**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 31 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.



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**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 2019 compared to 2018.

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019*	2018*
<b>Assets</b>						
Current and Other Assets	\$18,623,008	\$14,385,139	\$5,335,890	\$5,856,270	\$23,958,898	\$20,241,409
Capital Assets, Net	34,125,325	33,358,539	10,633,287	4,952,414	44,758,612	38,310,953
<b>Total Assets</b>	<b>52,748,333</b>	<b>47,743,678</b>	<b>15,969,177</b>	<b>10,808,684</b>	<b>68,717,510</b>	<b>58,552,362</b>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	369,986	404,079	0	0	369,986	404,079
Pension	5,408,013	1,980,670	68,624	103,856	5,272,703	2,084,455
OPEB	1,508,998	1,149,978	20,274	43,071	1,407,916	1,193,049
<b>Total Deferred Outflows of Resources</b>	<b>7,286,997</b>	<b>3,534,727</b>	<b>88,898</b>	<b>146,927</b>	<b>7,050,605</b>	<b>3,681,583</b>
<b>Liabilities</b>						
Current Liabilities	1,222,721	644,050	132,746	215,485	1,355,467	859,535
Long-Term Liabilities						
Due Within One Year	1,271,923	1,292,852	27,249	19,784	1,299,172	1,312,636
Due in More Than One Year	8,941,132	9,750,196	4,802,890	102,170	13,744,022	9,852,366
Net Pension Liability	18,329,325	12,216,880	230,648	411,859	18,559,973	12,628,739
Net OPEB Liability	3,500,543	10,721,516	102,345	266,204	3,602,888	10,987,720
<b>Total Liabilities</b>	<b>33,265,644</b>	<b>34,625,494</b>	<b>5,295,878</b>	<b>1,015,502</b>	<b>38,561,522</b>	<b>35,640,996</b>
<b>Deferred Inflows of Resources</b>						
Property Tax	4,742,569	4,563,726	0	0	4,742,569	4,563,726
Pension	436,573	1,370,894	207,490	101,266	440,129	1,472,089
OPEB	612,605	364,325	121,634	19,831	612,883	384,156
<b>Total Deferred Inflows of Resources</b>	<b>5,791,747</b>	<b>6,298,945</b>	<b>329,124</b>	<b>121,097</b>	<b>5,795,581</b>	<b>6,419,971</b>
<b>Net Position</b>						
Net Investment in Capital Assets	25,330,241	23,970,326	5,831,312	4,853,462	31,161,553	28,823,788
Restricted for:						
Capital Projects	2,094,078	887,624	0	0	2,094,078	887,624
Debt Service	504,100	233,772	0	0	504,100	233,772
Other Purposes	2,158,822	1,586,501	0	0	2,158,822	1,586,501
Unrestricted (Deficit)	(9,109,302)	(16,324,257)	4,601,761	4,965,550	(4,507,541)	(11,358,707)
<b>Total Net Position</b>	<b>\$20,977,939</b>	<b>\$10,353,966</b>	<b>\$10,433,073</b>	<b>\$9,819,012</b>	<b>\$31,411,012</b>	<b>\$20,172,978</b>

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

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both

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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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total net position for governmental activities showed an increase from 2018. This was largely due to increases in property tax and income tax collections as well as changes in deferred inflows and outflows related to net pension liability. Total net position for business-type activities saw an increase due to revenues outpacing expenses for the year.

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	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$1,878,503	\$1,765,045	\$2,675,959	\$3,939,917	\$4,554,462	\$5,704,962
Operating Grants and Contributions	1,548,767	1,520,397	0	0	1,548,767	1,520,397
Capital Grants and Contributions	440,179	485,021	3,092	0	443,271	485,021
<b>Total Program Revenues</b>	<b>3,867,449</b>	<b>3,770,463</b>	<b>2,679,051</b>	<b>3,939,917</b>	<b>6,546,500</b>	<b>7,710,380</b>
General Revenues						
Property Taxes	5,049,411	4,346,212	0	0	5,049,411	4,346,212
Municipal Income Taxes	8,353,461	7,093,820	0	0	8,353,461	7,093,820
Hotel Taxes	66,530	18,218	0	0	66,530	18,218
Permissive MVL Taxes	136,143	138,627	0	0	136,143	138,627
Grants and Entitlements	1,160,338	1,617,706	0	0	1,160,338	1,617,706
Franchise Taxes	214,623	308,841	0	0	214,623	308,841
Interest	239,131	162,561	0	0	239,131	162,561
Other	521,667	334,553	0	0	521,667	334,553
<b>Total General Revenues</b>	<b>15,741,304</b>	<b>14,020,538</b>	<b>0</b>	<b>0</b>	<b>15,741,304</b>	<b>14,020,538</b>
<b>Total Revenues</b>	<b>\$19,608,753</b>	<b>\$17,791,001</b>	<b>\$2,679,051</b>	<b>\$3,939,917</b>	<b>\$22,287,804</b>	<b>\$21,730,918</b>

(continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Program Expenses</b>						
General Government	\$3,788,171	\$3,773,162	\$0	\$0	\$3,788,171	\$3,773,162
Security of Persons and Property	547,413	7,648,134	0	0	547,413	7,648,134
Public Health Services	172,245	201,345	0	0	172,245	201,345
Transportation	2,728,629	1,627,193	0	0	2,728,629	1,627,193
Community Environment	304,451	205,044	0	0	304,451	205,044
Basic Utility Services	343,414	151,843	0	0	343,414	151,843
Leisure Time Activities	755,722	995,948	0	0	755,722	995,948
Interest and Fiscal Charges	349,427	369,791	0	0	349,427	369,791
Sanitary Sewer	0	0	1,858,598	2,328,630	1,858,598	2,328,630
Storm Water	0	0	201,700	764,975	201,700	764,975
<i>Total Expenses</i>	<u>8,989,472</u>	<u>14,972,460</u>	<u>2,060,298</u>	<u>3,093,605</u>	<u>11,049,770</u>	<u>18,066,065</u>
Increase (Decrease) in Net Position						
Before Transfers	10,619,281	2,818,541	618,753	846,312	11,238,034	3,664,853
Transfers	<u>4,692</u>	<u>3,127</u>	<u>(4,692)</u>	<u>(3,127)</u>	<u>0</u>	<u>0</u>
Change in Net Position	10,623,973	2,821,668	614,061	843,185	11,238,034	3,664,853
Net Position Beginning of Year	<u>10,353,966</u>	<u>7,532,298</u>	<u>9,819,012</u>	<u>8,975,827</u>	<u>20,172,978</u>	<u>16,508,125</u>
Net Position End of Year	<u>\$20,977,939</u>	<u>\$10,353,966</u>	<u>\$10,433,073</u>	<u>\$9,819,012</u>	<u>\$31,411,012</u>	<u>\$20,172,978</u>

***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 2019, property tax revenues increased substantially due to increased levels of collections. Municipal income taxes saw an increase from 2018 due to increased economic development.

Program expenses decreased from 2018 levels. The most substantial decrease was in security of persons and property due to changes in benefit terms with the Ohio Police and Fire Pension (OP&F) resulting in a decrease in the net OPEB liability. For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$725,539 in 2018 to a negative (\$7,648,514) for 2019. The City is also closely monitoring its expenses and keeping a tight budget in order to keep costs down.

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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

	2019		2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$3,788,171	(\$3,253,084)	\$3,773,162	(\$2,913,502)
Security of Persons and Property	547,413	541,196	7,648,134	(6,584,691)
Public Health Services	172,245	(142,416)	201,345	(171,054)
Transportation	2,728,629	(1,197,725)	1,627,193	(724,578)
Community Environment	304,451	(249,748)	205,044	295,426
Basic Utility Services	343,414	67,962	151,843	255,375
Leisure Time Activities	755,722	(538,781)	995,948	(757,359)
Interest and Fiscal Charges	349,427	(349,427)	369,791	(369,791)
<b>Total</b>	<b>\$8,989,472</b>	<b>(\$5,122,023)</b>	<b>\$14,972,460</b>	<b>(\$10,970,174)</b>

***Business-Type Activities***

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Revenues saw an increase for 2019. The expenses increased due to an increase in sewer projects the City is working on.

***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 16 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 and tax collections. 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 due to an increase in property tax collections on the new levy. The general bond retirement fund saw an 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 due to higher property tax revenues.

***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 2019, the City amended its general fund accordingly to avoid waiting until the

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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 franchise taxes 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 2019 balances of capital assets as compared to 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$7,442,984	\$7,470,580	\$75,556	\$75,556	\$7,518,540	\$7,546,136
Construction in Progress	1,373,964	0	6,427,549	902,159	7,801,513	902,159
Land Improvements	11,502,910	11,823,717	0	0	11,502,910	11,823,717
Buildings and Improvements	3,845,008	3,875,886	1,595,391	1,656,661	5,440,399	5,532,547
Machinery and Equipment	1,636,264	1,478,043	692,178	299,962	2,328,442	1,778,005
Vehicles	1,878,767	1,861,995	131,269	248,132	2,010,036	2,110,127
Infrastructure	6,445,428	6,848,318	1,711,344	1,769,944	8,156,772	8,618,262
Total Capital Assets	<u>\$34,125,325</u>	<u>\$33,358,539</u>	<u>\$10,633,287</u>	<u>\$4,952,414</u>	<u>\$44,758,612</u>	<u>\$38,310,953</u>

For 2019, the primary additions for governmental activities included construction in progress that was started on Willowick Drive and Stevens Boulevard, various building improvements throughout City hall and new vehicles for the police department. 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.

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

**Debt**

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2019.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$8,402,455	\$9,286,249	\$0	\$0	\$8,402,455	\$9,286,249
OPWC Loans	230,282	175,790	87,680	98,952	317,962	274,742
OWDA Loans	0	0	4,705,050	0	4,705,050	0
Capital Leases	245,110	388,420	0	0	245,110	388,420
Compensated Absences	1,333,958	1,184,142	37,409	23,002	1,371,367	1,207,144
Workers' Compensation Liability	1,250	8,447	0	0	1,250	8,447
Net Pension Liability	18,329,325	12,216,880	230,648	411,859	18,559,973	12,628,739
Net OPEB Liability	3,500,543	10,721,516	102,345	266,204	3,602,888	10,987,720
<b>Total</b>	<b>\$32,042,923</b>	<b>\$33,981,444</b>	<b>\$5,163,132</b>	<b>\$800,017</b>	<b>\$37,206,055</b>	<b>\$34,781,461</b>

At December 31, 2019, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds, 2013 Capital Facilities Refunding Bonds and 2011 Various Purpose 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 OPWC loans, OWDA loans, capital leases, compensated absences, workers' compensation liability, pension and OPEB. Additional information concerning debt issuances can be found in Note 16 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**

**City of Eastlake, Ohio**  
*Statement of Net Position*  
*December 31, 2019*

	Governmental Activities	Business-Type Activities	Total*
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$9,562,467	\$4,700,244	\$14,262,711
Accounts Receivable	265,255	523,724	788,979
Intergovernmental Receivable	1,388,798	83,408	1,472,206
Municipal Income Taxes Receivable	2,223,159	0	2,223,159
Hotel Taxes Receivable	4,287	0	4,287
Permissive Motor Vehicle Taxes Receivable	69,959	0	69,959
Prepaid Items	91,189	0	91,189
Materials and Supplies Inventory	93,194	1,173	94,367
Property Taxes Receivable	4,924,700	0	4,924,700
Special Assessments Receivable	0	27,341	27,341
Nondepreciable Capital Assets	8,816,948	6,503,105	15,320,053
Depreciable Capital Assets, Net	25,308,377	4,130,182	29,438,559
<i>Total Assets</i>	<u>52,748,333</u>	<u>15,969,177</u>	<u>68,717,510</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	369,986	0	369,986
Pension	5,408,013	68,624	5,272,703
OPEB	1,508,998	20,274	1,407,916
<i>Total Deferred Outflows of Resources</i>	<u>7,286,997</u>	<u>88,898</u>	<u>7,050,605</u>
<b>Liabilities</b>			
Accounts Payable	367,727	17,829	385,556
Contracts Payable	300,158	9,245	309,403
Accrued Wages	181,540	5,178	186,718
Retainage Payable	32,956	0	32,956
Matured Compensated Absences Payable	25,694	0	25,694
Intergovernmental Payable	144,999	100,494	245,493
Deposits Held Payable	107,576	0	107,576
Accrued Interest Payable	62,071	0	62,071
Long-Term Liabilities:			
Due Within One Year	1,271,923	27,249	1,299,172
Due In More Than One Year	8,941,132	4,802,890	13,744,022
Net Pension Liability (See Note 13)	18,329,325	230,648	18,559,973
Net OPEB Liability (See Note 14)	3,500,543	102,345	3,602,888
<i>Total Liabilities</i>	<u>33,265,644</u>	<u>5,295,878</u>	<u>38,561,522</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,742,569	0	4,742,569
Pension	436,573	207,490	440,129
OPEB	612,605	121,634	612,883
<i>Total Deferred Inflows of Resources</i>	<u>5,791,747</u>	<u>329,124</u>	<u>5,795,581</u>
<b>Net Position</b>			
Net Investment in Capital Assets	25,330,241	5,831,312	31,161,553
Restricted for:			
Capital Projects	2,094,078	0	2,094,078
Debt Service	504,100	0	504,100
Other Purposes	2,158,822	0	2,158,822
Unrestricted (Deficit)	(9,109,302)	4,601,761	(4,507,541)
<i>Total Net Position</i>	<u>\$20,977,939</u>	<u>\$10,433,073</u>	<u>\$31,411,012</u>

\*After deferred outflows of resources and deferred inflows of resources related to the change in internal proportionate share of pension/OPEB-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, 2019

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
General Government	\$3,788,171	\$532,938	\$2,149	\$0
Security of Persons and Property	547,413	695,442	377,627	15,540
Public Health Services	172,245	29,829	0	0
Transportation	2,728,629	26,774	1,079,491	424,639
Community Environment	304,451	54,703	0	0
Basic Utility Services	343,414	411,376	0	0
Leisure Time Activities	755,722	127,441	89,500	0
Interest and Fiscal Charges	349,427	0	0	0
<i>Total Governmental Activities</i>	<u>8,989,472</u>	<u>1,878,503</u>	<u>1,548,767</u>	<u>440,179</u>
<b>Business-Type Activities:</b>				
Sanitary Sewer	1,858,598	2,388,406	0	3,092
Storm Water	201,700	287,553	0	0
<i>Total Business-Type Activities</i>	<u>2,060,298</u>	<u>2,675,959</u>	<u>0</u>	<u>3,092</u>
<i>Total</i>	<u><u>\$11,049,770</u></u>	<u><u>\$4,554,462</u></u>	<u><u>\$1,548,767</u></u>	<u><u>\$443,271</u></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  
Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

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

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$3,253,084)	\$0	(\$3,253,084)
541,196	0	541,196
(142,416)	0	(142,416)
(1,197,725)	0	(1,197,725)
(249,748)	0	(249,748)
67,962	0	67,962
(538,781)	0	(538,781)
(349,427)	0	(349,427)
(5,122,023)	0	(5,122,023)
0	532,900	532,900
0	85,853	85,853
0	618,753	618,753
(5,122,023)	618,753	(4,503,270)
1,379,869	0	1,379,869
191,021	0	191,021
136,443	0	136,443
136,443	0	136,443
2,264,888	0	2,264,888
940,747	0	940,747
8,353,461	0	8,353,461
66,530	0	66,530
136,143	0	136,143
1,160,338	0	1,160,338
214,623	0	214,623
239,131	0	239,131
521,667	0	521,667
15,741,304	0	15,741,304
4,692	(4,692)	0
15,745,996	(4,692)	15,741,304
10,623,973	614,061	11,238,034
10,353,966	9,819,012	20,172,978
<u>\$20,977,939</u>	<u>\$10,433,073</u>	<u>\$31,411,012</u>

**City of Eastlake, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2019*

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and						
Cash Equivalents	\$5,417,103	\$434,304	\$548,798	\$1,787,599	\$1,225,025	\$9,412,829
Accounts Receivable	265,255	0	0	0	0	265,255
Intergovernmental Receivable	678,567	26,624	10,213	37,791	635,603	1,388,798
Municipal Income Taxes Receivable	2,223,159	0	0	0	0	2,223,159
Hotel Taxes Receivable	0	0	0	0	4,287	4,287
Permissive Motor Vehicle						
Taxes Receivable	0	0	0	0	69,959	69,959
Prepaid Items	90,663	0	0	0	526	91,189
Materials and Supplies Inventory	9,196	0	0	54,780	29,218	93,194
Property Taxes Receivable	1,379,333	1,955,730	189,993	951,955	447,689	4,924,700
Restricted Assets:						
Equity in Pooled Cash and						
Cash Equivalents in Segregated Accounts	149,638	0	0	0	0	149,638
<b>Total Assets</b>	<b>\$10,212,914</b>	<b>\$2,416,658</b>	<b>\$749,004</b>	<b>\$2,832,125</b>	<b>\$2,412,307</b>	<b>\$18,623,008</b>
<b>Liabilities</b>						
Accounts Payable	\$313,036	\$0	\$0	\$13,062	\$41,629	\$367,727
Contracts Payable	21,530	0	0	278,628	0	300,158
Accrued Wages	163,139	0	0	5,645	12,756	181,540
Retainage Payable	0	0	0	32,956	0	32,956
Matured Compensated Absences Payable	25,694	0	0	0	0	25,694
Intergovernmental Payable	119,046	0	0	2,257	23,696	144,999
Deposits Held Payable	107,576	0	0	0	0	107,576
<b>Total Liabilities</b>	<b>750,021</b>	<b>0</b>	<b>0</b>	<b>332,548</b>	<b>78,081</b>	<b>1,160,650</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,331,002	1,875,656	182,833	921,593	431,485	4,742,569
Unavailable Revenue	1,448,673	106,698	17,373	68,153	481,139	2,122,036
<b>Total Deferred Inflows of Resources</b>	<b>2,779,675</b>	<b>1,982,354</b>	<b>200,206</b>	<b>989,746</b>	<b>912,624</b>	<b>6,864,605</b>
<b>Fund Balances</b>						
Nonspendable	141,921	0	0	54,780	29,744	226,445
Restricted	0	434,304	548,798	1,455,051	1,336,953	3,775,106
Committed	0	0	0	0	54,905	54,905
Assigned	872,220	0	0	0	0	872,220
Unassigned	5,669,077	0	0	0	0	5,669,077
<b>Total Fund Balances</b>	<b>6,683,218</b>	<b>434,304</b>	<b>548,798</b>	<b>1,509,831</b>	<b>1,421,602</b>	<b>10,597,753</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$10,212,914</b>	<b>\$2,416,658</b>	<b>\$749,004</b>	<b>\$2,832,125</b>	<b>\$2,412,307</b>	<b>\$18,623,008</b>

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, 2019*

<b>Total Governmental Funds Balances</b>	<b>\$10,597,753</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,125,325
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	182,131
Intergovernmental	952,073
Municipal Income Taxes	771,381
Charges for Services	169,897
Permissive Sales Tax	<u>46,554</u>
Total	2,122,036
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(62,071)
Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	369,986
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(8,402,455)
OPWC Loans Payable	(230,282)
Capital Leases Payable	(245,110)
Compensated Absences Payable	(1,333,958)
Claims Payable	<u>(1,250)</u>
Total	(10,213,055)
The net pension liability and net OPEB liability are 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	5,408,013
Net Pension Liability	(18,329,325)
Deferred Inflows - Pension	(436,573)
Deferred Outflows - OPEB	1,508,998
Net OPEB Liability	(3,500,543)
Deferred Inflows - OPEB	<u>(612,605)</u>
Total	<u>(15,962,035)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$20,977,939</u></u>

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, 2019*

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$1,368,474	\$2,063,491	\$188,830	\$935,535	\$443,076	\$4,999,406
Municipal Income Taxes	8,297,941	0	0	0	0	8,297,941
Hotel Taxes	0	0	0	0	66,530	66,530
Permissive Motor Vehicle Taxes	0	0	0	0	136,140	136,140
Intergovernmental	1,082,299	53,244	20,424	425,578	1,417,876	2,999,421
Charges for Services	765,488	0	0	0	252	765,740
Fees, Licenses and Permits	503,036	0	0	0	128,966	632,002
Franchise Taxes	260,614	0	0	0	0	260,614
Fines and Forfeitures	126,104	0	0	0	8,111	134,215
Interest	239,131	0	0	0	0	239,131
Rentals	0	0	0	0	333,374	333,374
Contributions and Donations	0	0	0	0	17,766	17,766
Other	521,223	0	0	0	444	521,667
<i>Total Revenues</i>	<u>13,164,310</u>	<u>2,116,735</u>	<u>209,254</u>	<u>1,361,113</u>	<u>2,552,535</u>	<u>19,403,947</u>
<b>Expenditures</b>						
Current:						
General Government	3,610,956	0	2,015	0	2,173	3,615,144
Security of Persons and Property	4,520,305	1,879,275	0	0	512,844	6,912,424
Public Health Services	202,112	0	0	0	0	202,112
Transportation	170,292	0	0	1,220,981	942,436	2,333,709
Community Environment	350,257	0	0	0	0	350,257
Basic Utility Services	72	0	0	0	0	72
Leisure Time Activities	543,557	0	0	0	92,157	635,714
Capital Outlay	0	0	0	647,846	147,866	795,712
Debt Service:						
Principal Retirement	9,875	0	885,000	34,449	133,435	1,062,759
Interest and Fiscal Charges	0	0	309,309	0	9,508	318,817
<i>Total Expenditures</i>	<u>9,407,426</u>	<u>1,879,275</u>	<u>1,196,324</u>	<u>1,903,276</u>	<u>1,840,419</u>	<u>16,226,720</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,756,884</u>	<u>237,460</u>	<u>(987,070)</u>	<u>(542,163)</u>	<u>712,116</u>	<u>3,177,227</u>
<b>Other Financing Sources (Uses)</b>						
OPWC Loan Issued	0	0	0	88,941	0	88,941
Transfers In	0	0	1,250,000	1,254,692	63,000	2,567,692
Transfers Out	(2,158,000)	0	0	0	(405,000)	(2,563,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,158,000)</u>	<u>0</u>	<u>1,250,000</u>	<u>1,343,633</u>	<u>(342,000)</u>	<u>93,633</u>
<i>Net Change in Fund Balances</i>	1,598,884	237,460	262,930	801,470	370,116	3,270,860
<i>Fund Balances Beginning of Year - Restated - See Note 3</i>	<u>5,084,334</u>	<u>196,844</u>	<u>285,868</u>	<u>708,361</u>	<u>1,051,486</u>	<u>7,326,893</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,683,218</u></u>	<u><u>\$434,304</u></u>	<u><u>\$548,798</u></u>	<u><u>\$1,509,831</u></u>	<u><u>\$1,421,602</u></u>	<u><u>\$10,597,753</u></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, 2019*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$3,270,860</b>
<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 capital outlay exceeded depreciation in the current period:		
Capital Outlays	2,252,159	
Depreciation	<u>(1,407,936)</u>	
Total		844,223
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.		
		(77,437)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds:		
Property Taxes	50,005	
Municipal Income Taxes	55,520	
Intergovernmental	132,097	
Charges for Services	13,172	
Franchise Taxes	(45,991)	
Permissive Sales Tax	<u>3</u>	
Total		204,806
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,062,759
OPWC loans 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.		
		(88,941)
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	4,689	
Amortization of Accounting Loss	(34,093)	
Amortization of Discount	<u>(1,206)</u>	
Total		(30,610)
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	(149,816)	
Claims	<u>7,197</u>	
Total		(142,619)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows.		
Pension	1,184,924	
OPEB	<u>19,942</u>	
Total		1,204,866
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
Pension	(2,935,705)	
OPEB	<u>7,311,771</u>	
Total		<u>4,376,066</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$10,623,973</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, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,227,392	\$1,368,474	\$1,368,474	\$0
Municipal Income Taxes	6,477,607	7,898,175	8,086,746	188,571
Intergovernmental	1,155,149	1,176,334	1,277,213	100,879
Charges for Services	472,689	751,712	767,723	16,011
Fees, Licenses and Permits	460,431	450,869	498,064	47,195
Franchise Taxes	208,707	250,000	260,380	10,380
Fines and Forfeitures	99,814	125,000	124,906	(94)
Interest	190,798	245,621	239,131	(6,490)
Other	504,200	521,940	521,223	(717)
<i>Total Revenues</i>	10,796,787	12,788,125	13,143,860	355,735
<b>Expenditures</b>				
Current:				
General Government	4,422,500	4,339,133	3,734,748	604,385
Security of Persons and Property	5,020,509	5,051,514	4,692,969	358,545
Public Health Services	202,112	202,112	202,112	0
Transportation	162,374	199,374	177,107	22,267
Community Environment	458,280	462,503	349,695	112,808
Basic Utility Services	1,500	1,500	72	1,428
Leisure Time Activities	554,453	605,253	533,598	71,655
<i>Total Expenditures</i>	10,821,728	10,861,389	9,690,301	1,171,088
<i>Excess of Revenues Over Expenditures</i>	(24,941)	1,926,736	3,453,559	1,526,823
<b>Other Financing Uses</b>				
Transfers Out	(938,000)	(2,158,000)	(2,158,000)	0
<i>Net Change in Fund Balance</i>	(962,941)	(231,264)	1,295,559	1,526,823
<i>Fund Balance Beginning of Year</i>	3,395,318	3,395,318	3,395,318	0
Prior Year Encumbrances Appropriated	487,385	487,385	487,385	0
<i>Fund Balance End of Year</i>	\$2,919,762	\$3,651,439	\$5,178,262	\$1,526,823

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*  
*Fire and EMS Levy Fund*  
*For the Year Ended December 31, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,974,052	\$2,063,491	\$2,063,491	\$0
Intergovernmental	50,936	53,244	53,244	0
<i>Total Revenues</i>	2,024,988	2,116,735	2,116,735	0
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,934,539	1,934,539	1,879,275	55,264
<i>Net Change in Fund Balance</i>	90,449	182,196	237,460	55,264
<i>Fund Balance Beginning of Year</i>	196,844	196,844	196,844	0
<i>Fund Balance End of Year</i>	<u>\$287,293</u>	<u>\$379,040</u>	<u>\$434,304</u>	<u>\$55,264</u>

See accompanying notes to the basic financial statements



**City of Eastlake, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2019*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Assets</b>			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$4,378,869	\$321,375	\$4,700,244
Accounts Receivable	523,724	0	523,724
Intergovernmental Receivable	0	83,408	83,408
Materials and Supplies Inventory	1,173	0	1,173
<i>Total Current Assets</i>	<u>4,903,766</u>	<u>404,783</u>	<u>5,308,549</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	27,341	0	27,341
Nondepreciable Capital Assets	6,503,105	0	6,503,105
Depreciable Capital Assets, Net	4,130,182	0	4,130,182
<i>Total Noncurrent Assets</i>	<u>10,660,628</u>	<u>0</u>	<u>10,660,628</u>
<i>Total Assets</i>	<u>15,564,394</u>	<u>404,783</u>	<u>15,969,177</u>
<b>Deferred Outflows of Resources</b>			
Pension	68,624	0	68,624
OPEB	20,274	0	20,274
<i>Total Deferred Outflows of Resources</i>	<u>88,898</u>	<u>0</u>	<u>88,898</u>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts Payable	15,734	2,095	17,829
Contracts Payable	6,717	2,528	9,245
Accrued Wages	5,178	0	5,178
Intergovernmental Payable	100,494	0	100,494
Compensated Absences Payable	19,734	0	19,734
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>155,372</u>	<u>4,623</u>	<u>159,995</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	17,675	0	17,675
OPWC Loan Payable	80,165	0	80,165
OWDA Loan Payable	4,705,050	0	4,705,050
Net Pension Liability	230,648	0	230,648
Net OPEB Liability	102,345	0	102,345
<i>Total Long-Term Liabilities</i>	<u>5,135,883</u>	<u>0</u>	<u>5,135,883</u>
<i>Total Liabilities</i>	<u>5,291,255</u>	<u>4,623</u>	<u>5,295,878</u>
<b>Deferred Inflows of Resources</b>			
Pension	207,490	0	207,490
OPEB	121,634	0	121,634
<i>Total Inflows Outflows of Resources</i>	<u>329,124</u>	<u>0</u>	<u>329,124</u>
<b>Net Position</b>			
Net Investment in Capital Assets	5,831,312	0	5,831,312
Unrestricted	4,201,601	400,160	4,601,761
<i>Total Net Position</i>	<u>\$10,032,913</u>	<u>\$400,160</u>	<u>\$10,433,073</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, 2019*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Operating Revenue</b>			
Charges for Services	\$2,382,706	\$287,553	\$2,670,259
Tap-In Fees	5,700	0	5,700
<i>Total Operating Revenues</i>	<u>2,388,406</u>	<u>287,553</u>	<u>2,675,959</u>
<b>Operating Expenses</b>			
Personal Services	183,821	48,857	232,678
Contractual Services	1,246,867	1,028,083	2,274,950
Materials and Supplies	177,726	0	177,726
Depreciation	186,051	0	186,051
<i>Total Operating Expenses</i>	<u>1,794,465</u>	<u>1,076,940</u>	<u>2,871,405</u>
<i>Operating Income (Loss)</i>	<u>593,941</u>	<u>(789,387)</u>	<u>(195,446)</u>
<b>Non-Operating Expenses</b>			
Loss on Disposal of Capital Assets	(13,077)	0	(13,077)
Interest and Fiscal Charges	(51,056)	0	(51,056)
<i>Total Non-Operating Expenses</i>	<u>(64,133)</u>	<u>0</u>	<u>(64,133)</u>
<i>Income Before Capital Contributions and Transfers</i>	529,808	(789,387)	(259,579)
Capital Contributions	878,332	0	878,332
Transfers Out	(4,692)	0	(4,692)
<i>Change in Net Position</i>	1,403,448	(789,387)	614,061
<i>Net Position Beginning of Year</i>	<u>8,629,465</u>	<u>1,189,547</u>	<u>9,819,012</u>
<i>Net Position End of Year</i>	<u>\$10,032,913</u>	<u>\$400,160</u>	<u>\$10,433,073</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, 2019

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$2,442,858	\$178,571	\$2,621,429
Cash Payments to Suppliers for Goods and Services	(1,520,482)	(1,023,460)	(2,543,942)
Cash Payments for Employee Services and Benefits	(245,571)	(48,857)	(294,428)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>676,805</u>	<u>(893,746)</u>	<u>(216,941)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital Contributions	878,332	0	878,332
Acquisition of Capital Assets	(5,873,284)	0	(5,873,284)
OWDA Loans Issued	4,807,731	0	4,807,731
Principal Paid on OPWC Loans	(11,272)	0	(11,272)
Principal Paid on OWDA Loans	(102,681)	0	(102,681)
Interest Paid on OWDA Loans	(51,056)	0	(51,056)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(352,230)</u>	<u>0</u>	<u>(352,230)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer Out	(4,692)	0	(4,692)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	319,883	(893,746)	(573,863)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,058,986</u>	<u>1,215,121</u>	<u>5,274,107</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$4,378,869</u></u>	<u><u>\$321,375</u></u>	<u><u>\$4,700,244</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$593,941	(\$789,387)	(\$195,446)
Adjustments:			
Depreciation	186,051	0	186,051
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	(11,253)	0	(11,253)
Intergovernmental Receivable	35,775	(83,408)	(47,633)
Special Assessments Receivable	29,930	0	29,930
Materials and Supplies Inventory	1,047	0	1,047
Deferred Outflows - Pension	87,215	0	87,215
Deferred Outflows - OPEB	16,627	0	16,627
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	14,984	2,095	17,079
Contracts Payable	0	2,528	2,528
Accrued Wages	2,204	0	2,204
Compensated Absences Payable	14,407	0	14,407
Intergovernmental Payable	(111,267)	0	(111,267)
Due to Other Funds	0	(25,574)	(25,574)
Net Pension Liability	(249)	0	(249)
Net OPEB Liability	5,605	0	5,605
Deferred Inflows - Pension	(126,721)	0	(126,721)
Deferred Inflows - OPEB	(61,491)	0	(61,491)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$676,805</u></u>	<u><u>(\$893,746)</u></u>	<u><u>(\$216,941)</u></u>

**Non-Cash Capital Transactions**

In 2019, the sanitary sewer enterprise fund had contracts payable in the amount of \$6,717 related to capital acquisitions.

In 2019, the storm water enterprise fund paid for construction projects related to capital assets for the sanitary sewer enterprise fund in the amount of \$875,240.

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 - Reporting Entity**

The City of Eastlake is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective November 3, 1953. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor. The council members are elected for four year staggered terms. Three of the council members are elected at large. The mayor is elected for a four 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, 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 three jointly governed organizations and a shared risk pool. These organizations are the Northeast Ohio Public Energy Council, Regional Income Tax Agency (RITA), Lake County Communities Ohio Energy Special Improvement District and the Northern Ohio Risk Management Association (NORMA). The City is also involved with the Eastlake Port Authority, a related organization. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

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

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

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

***Basis of Presentation***

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. However, the City has no fiduciary funds.

***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 two categories of funds the City uses: governmental and proprietary.

***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, 2019*

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**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.

**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, 2019*

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***Basis of Accounting***

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, 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 are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, permissive sales tax and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

***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 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 department level and personal services and other for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. Authority to further allocate Council appropriations within departments has been given to the Director of Finance.

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".

During 2019, 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,



**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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*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 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2019 amounted to \$239,131, of which \$145,798 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, 2019, 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 and deposits held payables.

***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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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.

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.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

***Pensions/Other Postemployment Benefits (OPEB)***

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

***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).

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, 2019*

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2020's appropriated budget.

**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, 2019*

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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.

***Internal Eliminations***

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

***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 Principles and Restatement of Fund Balances/Net Position**

***Changes in Accounting Principles***

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The City evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For 2019, Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

For 2019, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and these funds will be reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

GASB Statement 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

***Restatement of Fund Balances and Net Position***

The implementation of GASB Statement No. 84 had the following effect on fund balance as of December 31, 2018:

	<u>General</u>	<u>Fire and EMS Levy</u>	<u>General Bond Retirement</u>	<u>Road Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances, December 31, 2018	\$5,012,777	\$196,844	\$285,868	\$708,361	\$1,048,471	\$7,252,321
GASB Statement 84	<u>71,557</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,015</u>	<u>74,572</u>
Restated Fund Balances, December 31, 2018	<u>\$5,084,334</u>	<u>\$196,844</u>	<u>\$285,868</u>	<u>\$708,361</u>	<u>\$1,051,486</u>	<u>\$7,326,893</u>

The implementation of GASB Statement No. 84 had the following effect on net position as of December 31, 2018:

	<u>Governmental Activities</u>
Net Position December 31, 2018	\$10,279,394
GASB Statement 84	<u>74,572</u>
Restated Net Position December 31, 2018	<u>\$10,353,966</u>

Also related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds, at December 31, 2018, agency funds reported assets and liabilities of \$174,462.

**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

**City of Eastlake, Ohio**  
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encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and Actual presented for the general fund and fire and ems levy special revenue are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund and the fire and EMS special revenue fund.

	General	Fire and EMS
GAAP Basis	\$1,598,884	\$237,460
Net Adjustment for Revenue Accruals	(20,450)	0
Net Adjustment for Expenditure Accruals	(671,354)	0
Encumbrances	388,479	0
Budget Basis	\$1,295,559	\$237,460

**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 and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<b><i>Nonspendable:</i></b>						
Prepaid Items	\$90,663	\$0	\$0	\$0	\$526	\$91,189
Materials and Supplies Inventory	9,196	0	0	54,780	29,218	93,194
Unclaimed Monies	42,062	0	0	0	0	42,062
<b><i>Total Nonspendable</i></b>	<b>141,921</b>	<b>0</b>	<b>0</b>	<b>54,780</b>	<b>29,744</b>	<b>226,445</b>
<b><i>Restricted for:</i></b>						
Road Improvements	0	0	0	1,455,051	658,561	2,113,612
Public Safety	0	0	0	0	121,386	121,386
Fire Operations	0	0	0	0	118,397	118,397
Police and Fire Pension	0	0	0	0	152,793	152,793
Fire and EMS Levy	0	434,304	0	0	0	434,304
Senior Citizens	0	0	0	0	12,523	12,523
Stadium Maintenance	0	0	0	0	98,315	98,315
Recreation Land Acquisition	0	0	0	0	174,978	174,978
Debt Service Payments	0	0	548,798	0	0	548,798
<b><i>Total Restricted</i></b>	<b>\$0</b>	<b>\$434,304</b>	<b>\$548,798</b>	<b>\$1,455,051</b>	<b>\$1,336,953</b>	<b>\$3,775,106</b>

(continued)

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

Fund Balances (continued)	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<b>Committed to</b>						
Donations	\$0	\$0	\$0	\$0	\$54,905	\$54,905
<b>Assigned to:</b>						
Purchases on order:						
General Government	142,315	0	0	0	0	142,315
Security of Persons and Property	161,377	0	0	0	0	161,377
Community Environment	538	0	0	0	0	538
Transportation	4,838	0	0	0	0	4,838
2020 Appropriations	563,152	0	0	0	0	563,152
<b>Total Assigned</b>	<b>872,220</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>872,220</b>
<b>Unassigned</b>	<b>5,669,077</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,669,077</b>
<b>Total Fund Balances</b>	<b>\$6,683,218</b>	<b>\$434,304</b>	<b>\$548,798</b>	<b>\$1,509,831</b>	<b>\$1,421,602</b>	<b>\$10,597,753</b>

**Stabilization arrangement** In addition to the above fund balance, the governing council adopted a resolution to establish and maintain a revenue stabilization reserve (“rainy day fund”) in the general fund that does not meet the criteria to be classified as restricted or committed. The principal resource for this reserve is excess reserves of the general fund. The revenue will be reserved on an annual basis with a maximum of 20 percent of the annual total general fund expenses being set aside in any one year. Once the City reserve reaches the 20 percent of general fund expenditure threshold, all revenues may be appropriated for current year operations. The reserve monies can only be accessed with the governing council authority. The general fund reserve balance was \$750,000 as of December 31, 2019.

**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.



**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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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 and Government National Mortgage 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, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

### **Deposits**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2019, \$728,155 of the City's total bank balance of \$7,099,490 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

### **Investments**

At December 31, 2019, the City had \$7,452,912 invested in STAR Ohio with an average maturity of 55.7 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, 2019*

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**Note 7 - Receivables**

Receivables at December 31, 2019, 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 \$27,341 in the sanitary sewer enterprise fund.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

2019 real property taxes are levied after October 1, 2019 on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. Lake County allows the payments to be made on February 15 and July 15.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019 was \$12.80 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2019 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$287,914,752
Other Real Estate	95,156,659
Public Utility Personal Property	<u>92,110,896</u>
Total Assessed Values	<u><u>\$475,182,307</u></u>

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

**City of Eastlake, Ohio**  
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measurable as of December 31, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 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. The Regional Income Tax Agency administers and collects income taxes for 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 net of collection fees of approximately 3 percent. All income tax received is recorded in the general fund.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>Governmental Activities:</b>	
Local Government	\$601,124
Gasoline Tax	507,925
Homestead and Rollback	164,498
Auto Registration	73,116
Lake County Reimbursement	18,414
Community Development Federal Grants	13,692
City of Willoughby	6,887
Ohio Bureau of Workers Compensation	3,142
Total	\$1,388,798
<b>Business-Type Activities:</b>	
Lake County Reimbursement	\$83,408

**Note 8 - Tax Abatements**

As of December 31, 2019, the City provides tax abatements through Community Reinvestment Area (CRA) Tax Abatements the Municipal Income Tax Incentive Program.

***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. In 2019, the values of taxes being abated total \$5,755.

**City of Eastlake, Ohio**  
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***Municipal Income Tax Incentive Program***

The City of Eastlake created the Municipal Tax Incentive Program in 2007. The purpose of the program is to maintain Eastlake's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to businesses based on the business' new gross annual payroll. The abatement is administered as a refund based on the business' payroll taxes. The time period in years is based on the business' amount of new gross payroll created. During 2019, the cap on the incentive was 50 percent of the business' 2 percent City payroll tax with an incentive period of no more than 7 years. In 2019, the taxes abated under this program were \$171,490.

**Note 9 - Interfund Transactions**

***Interfund Transfers***

During 2019, the general fund transferred \$845,000 to the general bond retirement debt service fund as debt payments came due, \$1,250,000 to the road improvement capital projects fund to cover the City's portion of Stevens Boulevard and \$63,000 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 \$4,692 to the road improvement capital projects fund for debt payments.

***Internal Balances – Change in Proportionate Share***

The City uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole. Eliminations made in the total column of the entity wide statement of net position related to pension include deferred outflows of resources for the business-type activities related to the sanitary sewer enterprise fund and deferred inflows of resources for the governmental type activities in the amount of \$203,934. Eliminations made in the total column of the entity wide statement of net position related to OPEB include deferred outflows of resources for the business-type activities related to the sanitary sewer enterprise fund and deferred inflows of resources for the governmental type activities in the amount of \$121,356.

**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.

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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, 2019 to December 31, 2019, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**Note 11 - Capital Assets**

A summary of changes in capital assets during 2019 follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,470,580	\$0	(\$27,596)	\$7,442,984
Construction in Progress	0	1,373,964	0	1,373,964
<i>Total Nondepreciable Capital Assets</i>	<u>7,470,580</u>	<u>1,373,964</u>	<u>(27,596)</u>	<u>8,816,948</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	18,036,950	45,099	0	18,082,049
Buildings and Improvements	9,739,385	161,678	(3,198)	9,897,865
Machinery and Equipment	4,597,057	419,800	(184,671)	4,832,186
Vehicles	4,815,972	251,618	(601,556)	4,466,034
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	27,808,425	0	0	27,808,425
<i>Total Depreciable Capital Assets</i>	<u>64,997,789</u>	<u>878,195</u>	<u>(789,425)</u>	<u>65,086,559</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(6,213,233)	(365,906)	0	(6,579,139)
Buildings and Improvements	(5,863,499)	(192,556)	3,198	(6,052,857)
Machinery and Equipment	(3,119,014)	(225,896)	148,988	(3,195,922)
Vehicles	(2,953,977)	(220,688)	587,398	(2,587,267)
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	(20,960,107)	(402,890)	0	(21,362,997)
<i>Total Accumulated Depreciation</i>	<u>(39,109,830)</u>	<u>(1,407,936)</u>	<u>739,584</u>	<u>(39,778,182)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>25,887,959</u>	<u>(529,741)</u>	<u>(49,841)</u>	<u>25,308,377</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$33,358,539</u>	<u>\$844,223</u>	<u>(\$77,437)</u>	<u>\$34,125,325</u>

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Depreciation expense was charged to governmental functions as follows:

General Government	\$39,620
Security of Persons and Property	206,511
Transportation	547,188
Community Environment	1,563
Basic Utility Services	402,890
Leisure Time Activities	210,164
<b>Total</b>	<b><u>\$1,407,936</u></b>

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<b>Business-Type Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	902,159	5,525,390	0	6,427,549
<i>Total Nondepreciable Capital Assets</i>	<u>977,715</u>	<u>5,525,390</u>	<u>0</u>	<u>6,503,105</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	2,909,307	0	0	2,909,307
Machinery and Equipment	771,989	317,530	(29,883)	1,059,636
Vehicles	579,094	37,081	(173,417)	442,758
Infrastructure				
Sewers	9,615,247	0	0	9,615,247
<i>Total Depreciable Capital Assets</i>	<u>13,875,637</u>	<u>354,611</u>	<u>(203,300)</u>	<u>14,026,948</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,252,646)	(61,270)	0	(1,313,916)
Machinery and Equipment	(330,962)	(53,302)	16,806	(367,458)
Vehicles	(472,027)	(12,879)	173,417	(311,489)
Infrastructure				
Sewers	(7,845,303)	(58,600)	0	(7,903,903)
<i>Total Accumulated Depreciation</i>	<u>(9,900,938)</u>	<u>(186,051)</u>	<u>190,223</u>	<u>(9,896,766)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>3,974,699</u>	<u>168,560</u>	<u>(13,077)</u>	<u>4,130,182</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$4,952,414</u>	<u>\$5,693,950</u>	<u>(\$13,077)</u>	<u>\$10,633,287</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 2019, the City participated in NORMA (Note 19), an insurance pool, for the following types of insurance:

Type	Coverage
Property	\$49,840,871
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

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

In prior years, the City participated in the State Workers' Compensation retrospective rating and payment system. During 2019, 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 \$1,250 have been accrued as a liability at December 31, 2019 based on an estimate by the City.

The outstanding claims liability of \$1,250 reported at December 31, 2019, 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 2018 and 2019 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	28,283	8,447	28,283	\$8,447
2019	8,447	1,250	8,447	1,250

**Note 13 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability***

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liabilities represent the City's proportionate share of each pension/OPEB plans' collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans' fiduciary net position. The net pension/OPEB liabilities calculations are 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 these estimates annually.

Ohio Revised Code (ORC) limits the City's obligation for these liabilities 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 and OPEB.



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GASB 68/75 assume the liabilities are solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities. Resulting adjustments to the net pension/OPEB liabilities would be effective when the changes are legally enforceable. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

***Plan Description – Ohio Public Employees Retirement System***

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. The City does not have any employees that contribute to the combined plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments (COLA) to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). The 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' annual financial report referenced previously for additional information, including requirements for reduced and unreduced benefits):

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

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an COLA. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

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	State and Local
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
 <b>2019 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

For 2019, the City's contractually required contribution was \$344,570 for the traditional plan and \$14 for the member-directed plan. Of these amounts, \$27,433 is reported as an intergovernmental payable for the traditional plan, and \$1 for the member-directed plan.

***Plan Description – Ohio Police & Fire Pension Fund***

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 (COLA), 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 (ORC). 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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of 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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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

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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's annual financial report referenced previously for additional information, including requirements for Deferred Retirement Option Plan (DROP) 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 COLA. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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 3 percent or the percent increase, if any, in the Consumer Price Index over the 13 month period ending on September 30<sup>th</sup> 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 3 percent of their base pension or disability benefit.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2019 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2019 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	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 \$857,583 for 2019. Of this amount, \$65,010 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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 of the City's defined benefit pension plans:

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	OPERS		Total
	Traditional Plan	OP&F	
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.0168430%	0.1708640%	
Prior Measurement Date	0.0154430%	0.1662910%	
Change in Proportionate Share	<u>0.0014000%</u>	<u>0.0045730%</u>	
Proportionate Share of the:			
Net Pension Liability	\$4,612,955	\$13,947,018	\$18,559,973
Pension Expense	1,061,091	1,852,088	2,913,179

2019 pension expense for the member-directed defined contribution plan was \$14. The aggregate pension expense for all pension plans was \$2,913,193.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS		Total
	Traditional Plan	OP&F	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$212	\$573,028	\$573,240
Changes of assumptions	401,569	369,755	771,324
Net difference between projected and actual earnings on pension plan investments	626,107	1,718,261	2,344,368
Changes in proportion and differences between City contributions and proportionate share of contributions	160,114	221,504	381,618
City contributions subsequent to the measurement date	<u>344,570</u>	<u>857,583</u>	<u>1,202,153</u>
Total Deferred Outflows of Resources	<u>\$1,532,572</u>	<u>\$3,740,131</u>	<u>\$5,272,703</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$60,571	\$13,024	\$73,595
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>2,995</u>	<u>363,539</u>	<u>366,534</u>
Total Deferred Inflows of Resources	<u>\$63,566</u>	<u>\$376,563</u>	<u>\$440,129</u>

\$1,202,153 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	OPERS Traditional Plan	OP&F	Total
Year Ending December 31:			
2020	\$497,629	\$765,036	\$1,262,665
2021	277,539	389,305	666,844
2022	58,083	505,940	564,023
2023	291,185	799,769	1,090,954
2024	0	45,935	45,935
Thereafter	0	0	0
Total	\$1,124,436	\$2,505,985	\$3,630,421

***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, 2018, 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 valuation, reflecting experience study results, prepared as of December 31, 2018, are presented as follows:

	OPERS Traditional Plan
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees

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are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the traditional pension plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. 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 was a loss of 2.94 percent for 2018.

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 following table displays the Board-approved asset allocation policy for 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

**Discount Rate** For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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

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future benefits payments of current plan members; therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate::

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
<b>City's proportionate share of the net pension liability</b>			
OPERS Traditional Plan	\$6,814,678	\$4,612,955	\$2,783,306

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.



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Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

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 expected. 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, 2018, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	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 previously disclosed, 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 8.00 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 of 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$18,332,393	\$13,947,018	\$10,282,402

**Note 14 – Defined Benefit OPEB Plans**

See Note 13 for a description of the net OPEB liability

**Plan Description – 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. The City does not have any employees that contribute to the combined plan.

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.

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 No. 75. See OPERS' annual financial report referenced later for additional information.

The Ohio Revised Code (ORC) 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS' annual 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 ORC provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, 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 ORC. 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. 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 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$4 for 2019. Of this amount, \$1 is reported as an intergovernmental payable.

***Plan Description – Ohio Police & 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 health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the 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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, 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.

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.

The City's contractually required contribution to OP&F was \$19,938 for 2019. Of this amount, \$1,517 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0157000%	0.1708640%	
Prior Measurement Date	<u>0.0144200%</u>	<u>0.1662910%</u>	
Change in Proportionate Share	<u>0.0012800%</u>	<u>0.0045730%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,046,910	\$1,555,978	\$3,602,888
OPEB Expense	\$297,484	(\$7,648,514)	(\$7,351,030)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$693	\$0	\$693
Changes of assumptions	65,995	806,544	872,539
Net difference between projected and actual earnings on pension plan investments	93,839	52,671	146,510
Changes in proportion and differences between City contributions and proportionate share of contributions	165,255	202,977	368,232
City contributions subsequent to the measurement date	<u>4</u>	<u>19,938</u>	<u>19,942</u>
Total Deferred Outflows of Resources	<u>\$325,786</u>	<u>\$1,082,130</u>	<u>\$1,407,916</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$5,554	\$41,688	\$47,242
Changes of assumptions	0	430,769	430,769
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>134,872</u>	<u>134,872</u>
Total Deferred Inflows of Resources	<u>\$5,554</u>	<u>\$607,329</u>	<u>\$612,883</u>

\$19,942 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2020	\$185,269	\$79,470	\$264,739
2021	70,830	79,470	150,300
2022	16,856	79,470	96,326
2023	47,273	95,401	142,674
2024	0	70,285	70,285
Thereafter	0	50,767	50,767
Total	<u>\$320,228</u>	<u>\$454,863</u>	<u>\$775,091</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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was effective for the 2018 valuation.

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Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
<b>Total</b>	<b>100.00 %</b>	<b>5.16 %</b>

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**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$2,618,760	\$2,046,910	\$1,592,137

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,967,524	\$2,046,910	\$213,834



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***Actuarial Assumptions – OP&F***

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

**Discount Rate** For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members; therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$1,895,607	\$1,555,978	\$1,270,890

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***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

**Note 15 - 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 16 - Long-term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Governmental Activities:</b>			
<i>General Obligation Bonds:</i>			
2004 Various Purpose Bonds	2.5-5%	\$60,000	2031
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
<i>OPWC Loans from Direct Borrowings:</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
Willowick Drive	0	88,941	N/A
<i>Capital Leases:</i>			
Loader	3.30	139,853	2022
Ambulance 1	3.04	196,519	2021
Ambulance 2	3.24	199,545	2020
Police Tasers	0.00	48,063	2022
<b>Business-Type Activities:</b>			
<i>From Direct Borrowings:</i>			
<i>OPWC Loans:</i>			
Robin/Forest/King Drive Pump Stations	0	50,000	2030
Quentin Road Pump Station	0	100,292	2032
<i>OWDA Loans:</i>			
Waverly Relief Sewer	1.66-2.08	4,807,731	N/A

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

Changes in long-term obligations of the City during 2019 were as follows:

	Balance 12/31/2018	Increase	Decrease	Balance 12/31/2019	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2004 Various Purpose Bonds - Term	\$60,000	\$0	\$0	\$60,000	\$0
2011 Tax Exempt Various Purpose Refunding Bonds:					
Serial	4,700,000	0	625,000	4,075,000	635,000
Term	1,375,000	0	0	1,375,000	0
Total 2011 Various Purpose Bonds	6,075,000	0	625,000	5,450,000	635,000
2013 Capital Facilities Refunding Bonds:					
Serial	1,035,000	0	200,000	835,000	205,000
Term	2,075,000	0	0	2,075,000	0
Discount	(18,751)	0	(1,206)	(17,545)	0
Total 2013 Capital Facilities Refunding Bonds	3,091,249	0	198,794	2,892,455	205,000
2014 Capital Facilities Bonds - Serial	60,000	0	60,000	0	0
<i>Total General Obligation Bonds</i>	9,286,249	0	883,794	8,402,455	840,000
<b>OPWC Loans from Direct Borrowings:</b>					
North Parkway Road and Sewer	1,250	0	1,250	0	0
Parkland Drive Road and Sewer	3,115	0	1,868	1,247	1,247
Stevens Boulevard Road and Sewer	6,142	0	3,685	2,457	2,457
East Overlook Road, Storm and Sanitary Sewer	6,564	0	1,969	4,595	1,313
Roberts Road Improvements	48,750	0	11,250	37,500	7,500
Plymouth Road and Sewer	21,825	0	4,365	17,460	2,910
Roberts Road Improvements-Phase 2	62,731	0	7,238	55,493	4,825
Edison and Mondamin Storm Sewer	25,413	0	2,824	22,589	1,882
Willowick Drive	0	88,941	0	88,941	0
<i>Total OPWC Loans</i>	175,790	88,941	34,449	230,282	22,134
<b>Capital Leases:</b>					
Loader	93,235	0	27,971	65,264	27,971
Ambulance 1	120,546	0	38,972	81,574	40,170
Ambulance 2	135,139	0	66,492	68,647	68,647
Police Tasers	39,500	0	9,875	29,625	9,875
<i>Total Capital Leases</i>	388,420	0	143,310	245,110	146,663
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	1,184,142	382,527	232,711	1,333,958	261,876
Workers' Compensation Liability	8,447	1,250	8,447	1,250	1,250
<i>Total Other Long-Term Obligations</i>	1,192,589	383,777	241,158	1,335,208	263,126
<b>Net Pension Liability:</b>					
OPERS	2,010,849	2,371,458	0	4,382,307	0
OP&F	10,206,031	3,740,987	0	13,947,018	0
<i>Total Net Pension Liability</i>	12,216,880	6,112,445	0	18,329,325	0
<b>Net OPEB Liability:</b>					
OPERS	1,299,702	644,863	0	1,944,565	0
OP&F	9,421,814	0	7,865,836	1,555,978	0
<i>Total Net OPEB Liability</i>	10,721,516	644,863	7,865,836	3,500,543	0
<b>Total Governmental Activities</b>	<b>\$33,981,444</b>	<b>\$7,230,026</b>	<b>\$9,168,547</b>	<b>\$32,042,923</b>	<b>\$1,271,923</b>

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

	Balance 12/31/2018	Increase	Decrease	Balance 12/31/2019	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<b>OPWC Loans from Direct Borrowings:</b>					
Robin/Forest/King Drive Pump Stations	\$28,750	\$0	\$3,750	\$25,000	\$2,500
Quentin Road Pump Station	70,202	0	7,522	62,680	5,015
<i>Total OPWC Loans</i>	98,952	0	11,272	87,680	7,515
<b>OWDA Loans from Direct Borrowings:</b>					
Waverly Relief Sewer	0	4,807,731	102,681	4,705,050	0
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	23,002	26,676	12,269	37,409	19,734
<b>Net Pension Liability:</b>					
OPERS	411,859	0	181,211	230,648	0
<b>Net OPEB Liability:</b>					
OPERS	266,204	0	163,859	102,345	0
<b>Total Business-Type Activities</b>	<b>\$800,017</b>	<b>\$4,834,407</b>	<b>\$471,292</b>	<b>\$5,163,132</b>	<b>\$27,249</b>

**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 term bonds with interest rates varying from 2.5 percent to 5 percent. Proceeds were used for capital facilities.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2026 in the amount of \$30,000. The remaining principal amount of \$30,000 of the term bonds will mature at the stated maturity.

**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, 2019 is \$5,425,000.

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**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, 2019 is \$4,040,000.

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

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

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

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

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

**OPWC Loans** OPWC loans consist of money owed to the Ohio Public Works Commission (OPWC) 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.

The City’s outstanding OPWC loans from direct borrowings related to governmental activities of \$230,282 and business-type activities of \$87,680 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General’s office for collection, and as provided by law, OPWC may require that such payment be taken from the City’s share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC’s option, become immediately due and payable.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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A line of credit has been established with the OPWC in the amount of \$150,000 for the Willowick Drive roadway and slab replacement. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2019 is \$88,941.

**OWDA Loan** The City has entered into a contractual agreement for a construction loan from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, the OWDA will reimburse, advance or directly pay the construction costs of the approved project. The OWDA will capitalize administrative costs and construction interest and then add them to the total amount of the final loan.

The City's outstanding OWDA loan from direct borrowings of \$4,705,050 related to business-type activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

A line of credit has been established with OWDA in the amount of 5,034,086 to cover the costs of replacing sanitary sewer lines along Waverly Road. The loan has an interest rates ranging from 1.66 to 2.08 percent and will mature in 2039. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2019 is \$4,705,050.

**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, permissive motor vehicle license special revenue fund, and fire levy capital projects 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 road improvement capital projects fund; and the sanitary sewer enterprise fund.

**Workers' Compensation, Net Pension Liability and Net OPEB Liability** The workers' compensation liability will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds: general, street maintenance, senior citizens, road improvement, sanitary sewer, police pension and fire pension. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

The City's overall legal debt margin was \$35,919,877 with an unvoted debt margin of \$12,160,762 at December 31, 2019.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2019, were as follows:

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

<b>Governmental Activities</b>					
Year	General Obligation Bonds				<i>From Direct</i>
	Serial		Term		<i>Borrowings</i>
	Principal	Interest	Principal	Interest	OPWC Loans
2020	\$840,000	\$282,988	\$0	\$3,000	\$22,134
2021	860,000	260,195	0	3,000	18,430
2022	210,000	96,900	675,000	140,495	18,430
2023	215,000	90,600	700,000	119,570	17,776
2024	725,000	94,870	230,000	86,881	17,118
2025-2029	2,060,000	138,132	1,325,000	294,356	36,449
2030-2032	0	0	580,000	38,281	11,004
Total	<u>\$4,910,000</u>	<u>\$963,685</u>	<u>\$3,510,000</u>	<u>\$685,583</u>	<u>\$141,341</u>

<b>Business-Type Activities</b>	
	<i>From Direct</i>
	<i>Borrowings</i>
	OPWC Loans
Year	Principal
2020	\$7,515
2021	7,514
2022	7,514
2023	7,514
2024	7,514
2025-2029	37,572
2030-2032	12,537
Total	<u>\$87,680</u>

**Note 17 – Capital Leases**

In prior years, the City entered into capitalized leases for a loader, ambulances and police tasers. These leases meet the criteria for a capital lease and have been recorded on the governmental-wide statements. The original amount capitalized for the capital leases and the book value as of December 31, 2019 follows:

	Governmental
	<u>Activities</u>
Equipment	\$187,916
Vehicles	396,064
Leased property, total value	583,980
Less: Accumulated Depreciation	<u>(180,002)</u>
Leased property, net of depreciation	<u>\$403,978</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2019.



**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

	Governmental Activities
2020	\$152,938
2021	82,066
2022	19,870
Total minimum lease payments	254,874
Less: amount representing interest	(9,764)
Present value of minimum lease payments	\$245,110

**Note 18 - Jointly Governed Organization**

***Northeast Ohio Public Energy Council***

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 200 communities who have been authorized by ballot to purchase energy 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 2019, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio, 44139 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2019, the City paid RITA \$235,664 for income tax collection services.

***Lake County Communities Energy Special Improvement District***

The Lake County Communities Energy Special Improvement District (the "District") is a jointly governed organization that is to enhance the value of properties, within the District and improve the environment by developing and assisting in developing the District special energy improvement projects. For 2019, the City did not contribute to the District. For more information, contact National Registered Agents, Inc., 4400 Easton Commons Way, Suite 125, Columbus, Ohio 43219.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 19 - Shared Risk Pool**

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Beachwood, 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 2019, the City of Eastlake paid \$159,797 in premiums from the general fund, which represents 6.72 percent of the total premiums paid by all members. Financial information can be obtained by contacting Jeffrey Knoblauch, 1140 Terex Road, Hudson, Ohio 44236.

**Note 20 - Related Organization**

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

**Note 21 – 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 15 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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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 \$1,352,905 to the City of Willoughby for the joint sewer treatment facility in 2019 which is accounted for in the City's sewer enterprise fund.

**Note 22 - 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:

<b>Governmental Funds:</b>	
General	\$388,479
Road Improvements	347,494
Other Governmental Funds	42,045
<i>Total Governmental Funds</i>	778,018
<b>Proprietary Fund:</b>	
Sanitary Sewer	413,084
Storm Water Management	9,200
<i>Total Proprietary Funds</i>	422,284
<i>Total Encumbrances</i>	\$1,200,302

**Note 23 – Subsequent Event**

The United States and the State of declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates have incurred a decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

On February 12, 2020, the City paid the Ohio Department of Transportation (ODOT) \$1,397,970. The City is working in conjunction with ODOT to reconstruct Stevens Boulevard. This payment represents the City's share of cost and expense required to be deposited with ODOT for additional funding.

## **Required Supplementary Information**

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

	2019	2018	2017	2016
City's Proportion of the Net Pension Liability	0.0168430%	0.0154430%	0.0154640%	0.0160150%
City's Proportionate Share of the Net Pension Liability	\$4,612,955	\$2,422,708	\$3,511,613	\$2,773,999
City's Covered Payroll	\$2,274,986	\$2,040,854	\$1,999,008	\$1,993,250
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%	175.67%	139.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%

(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.

See accompanying notes to the required supplementary information

2015	2014
0.0194010%	0.0194010%
\$2,339,977	\$2,287,125
\$2,378,625	\$2,522,631
98.38%	90.66%
86.45%	86.36%

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0157000%	0.0144200%	0.0124000%
City's Proportionate Share of the Net OPEB Liability	\$2,046,910	\$1,565,906	\$1,252,442
City's Covered Payroll	\$2,277,236	\$2,553,004	\$2,998,508
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.89%	61.34%	41.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

See accompanying notes to the 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 Police and Fire Pension Fund*  
*Last Six Years (1)*

	2019	2018	2017	2016
City's Proportion of the Net Pension Liability	0.1708640%	0.1662910%	0.1698210%	0.1735800%
City's Proportionate Share of the Net Pension Liability	\$13,947,018	\$10,206,031	\$10,756,292	\$11,166,524
City's Covered Payroll	\$4,064,518	\$3,321,193	\$3,598,541	\$3,734,429
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	343.14%	307.30%	298.91%	299.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%

(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.

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.1820268%	0.1820270%
\$9,429,747	\$8,865,276
\$3,566,749	\$3,396,064
264.38%	261.05%
71.71%	73.00%

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.1708640%	0.1662910%	0.1698210%
City's Proportionate Share of the Net OPEB Liability	\$1,555,978	\$9,421,814	\$8,061,021
City's Covered Payroll	\$4,064,518	\$3,321,193	\$3,598,541
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.28%	283.69%	224.01%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

See accompanying notes to the required supplementary information

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**City of Eastlake, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Seven Years (1) (2)*

	2019	2018	2017	2016
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$344,570	\$318,498	\$265,311	\$239,881
Contributions in Relation to the Contractually Required Contribution	<u>(344,570)</u>	<u>(318,498)</u>	<u>(265,311)</u>	<u>(239,881)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,461,214	\$2,274,986	\$2,040,854	\$1,999,008
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
<b>Net OPEB Liability - OPEB Plan (2)</b>				
Contractually Required Contribution	\$4	\$90	\$40,895	\$79,960
Contributions in Relation to the Contractually Required Contribution	<u>(4)</u>	<u>(90)</u>	<u>(40,895)</u>	<u>(79,960)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$2,461,214	\$2,277,236	\$2,553,004	\$2,998,508
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>1.60%</u>	<u>2.67%</u>

(1) Information prior to 2013 is not available.

(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(3) The OPEB plan includes the members from the traditional plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2015	2014	2013
\$239,190	\$285,435	\$327,942
(239,190)	(285,435)	(327,942)
\$0	\$0	\$0
\$1,993,250	\$2,378,625	\$2,522,631
12.00%	12.00%	13.00%

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

	2019	2018	2017	2016
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$857,583	\$874,338	\$712,177	\$772,472
Contributions in Relation to the Contractually Required Contribution	<u>(857,583)</u>	<u>(874,338)</u>	<u>(712,177)</u>	<u>(772,472)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$3,987,448	\$4,064,518	\$3,321,193	\$3,598,541
Pension Contributions as a Percentage of Covered Payroll	<u>21.51%</u>	<u>21.51%</u>	<u>21.44%</u>	<u>21.47%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$19,938	\$20,322	\$16,606	\$17,993
Contributions in Relation to the Contractually Required Contribution	<u>(19,938)</u>	<u>(20,322)</u>	<u>(16,606)</u>	<u>(17,993)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.88%</u>	<u>0.90%</u>	<u>0.76%</u>	<u>0.86%</u>
Total Contributions as a Percentage of Covered Payroll	<u>22.39%</u>	<u>22.41%</u>	<u>22.20%</u>	<u>22.33%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$797,325	\$761,770	\$612,833	\$527,697	\$645,508	\$643,005
<u>(797,325)</u>	<u>(761,770)</u>	<u>(612,833)</u>	<u>(527,697)</u>	<u>(645,508)</u>	<u>(643,005)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,734,429	\$3,566,749	\$3,396,064	\$3,542,262	\$4,356,623	\$4,343,805
<u>21.35%</u>	<u>21.36%</u>	<u>18.05%</u>	<u>14.90%</u>	<u>14.82%</u>	<u>14.80%</u>
\$18,672	\$17,834	\$122,824	\$239,103	\$294,072	\$293,207
<u>(18,672)</u>	<u>(17,834)</u>	<u>(122,824)</u>	<u>(239,103)</u>	<u>(294,072)</u>	<u>(293,207)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.91%</u>	<u>0.92%</u>	<u>6.72%</u>	<u>13.29%</u>	<u>17.06%</u>	<u>16.79%</u>
<u>22.26%</u>	<u>22.28%</u>	<u>24.77%</u>	<u>28.19%</u>	<u>31.88%</u>	<u>31.59%</u>



**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2019

**Changes in Assumptions – OPERS Pension**

Amounts reported beginning in 2019 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 beginning in 2017 and in 2016 and prior are presented below:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 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	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 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.

**Changes in Assumptions – OP&F Pension**

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2019

	Beginning in 2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

**Changes in Assumptions – OPERS OPEB**

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2019*

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**Changes in Assumptions – OP&F OPEB**

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

**Changes in Benefit Terms – OP&F OPEB**

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

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The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. 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 2018 are as follows:

- In 2018, the City's governmental fund balance increased by \$2,733,911. The general fund increased by \$2,092,182.
- The City continues to focus on the maintenance and repair of streets. The City completed repairs to Lakeshore Boulevard and East 344<sup>th</sup> Street in 2018.
- In 2018, the City continued work 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 2018?" 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, 2018*  
*Unaudited*

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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, 2018*  
*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 2018 compared to 2017.

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018*	2017*
<b>Assets</b>						
Current and Other Assets	\$14,310,567	\$10,781,858	\$5,856,270	\$5,363,970	\$20,166,837	\$16,145,828
Capital Assets, Net	33,358,539	33,226,521	4,952,414	4,435,031	38,310,953	37,661,552
<b>Total Assets</b>	<b>47,669,106</b>	<b>44,008,379</b>	<b>10,808,684</b>	<b>9,799,001</b>	<b>58,477,790</b>	<b>53,807,380</b>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	404,079	437,030	0	0	404,079	437,030
Pension	1,980,670	2,881,736	103,856	229,984	2,084,455	3,111,238
OPEB	1,149,978	33,612	43,071	3,483	1,193,049	37,095
<b>Total Deferred Outflows of Resources</b>	<b>3,534,727</b>	<b>3,352,378</b>	<b>146,927</b>	<b>233,467</b>	<b>3,681,583</b>	<b>3,585,363</b>
<b>Liabilities</b>						
Current Liabilities	644,050	486,100	215,485	74,776	859,535	560,876
Long-Term Liabilities						
Due Within One Year	1,292,852	1,269,633	19,784	23,920	1,312,636	1,293,553
Due in More Than One Year	9,750,196	10,823,322	102,170	136,140	9,852,366	10,959,462
Net Pension Liability	12,216,880	13,670,931	411,859	596,974	12,628,739	14,267,905
Net OPEB Liability	10,721,516	9,100,548	266,204	212,915	10,987,720	9,313,463
<b>Total Liabilities</b>	<b>34,625,494</b>	<b>35,350,534</b>	<b>1,015,502</b>	<b>1,044,725</b>	<b>35,640,996</b>	<b>36,395,259</b>
<b>Deferred Inflows of Resources</b>						
Property Tax	4,563,726	4,022,415	0	0	4,563,726	4,022,415
Pension	1,370,894	631,025	101,266	11,916	1,472,089	642,459
OPEB	364,325	0	19,831	0	384,156	0
<b>Total Deferred Inflows of Resources</b>	<b>6,298,945</b>	<b>4,653,440</b>	<b>121,097</b>	<b>11,916</b>	<b>6,419,971</b>	<b>4,664,874</b>
<b>Net Position</b>						
Net Investment in Capital Assets	23,970,326	22,897,668	4,853,462	4,296,515	28,823,788	27,194,183
Restricted for:						
Capital Projects	887,624	807,453	0	0	887,624	807,453
Debt Service	233,772	0	0	0	233,772	0
Other Purposes	1,586,501	1,286,000	0	0	1,586,501	1,286,000
Unrestricted (Deficit)	(16,398,829)	(17,634,338)	4,965,550	4,679,312	(11,433,279)	(12,955,026)
<b>Total Net Position</b>	<b>\$10,279,394</b>	<b>\$7,356,783</b>	<b>\$9,819,012</b>	<b>\$8,975,827</b>	<b>\$20,098,406</b>	<b>\$16,332,610</b>

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

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

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The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from \$16,423,719 to \$7,356,783 for governmental activities and from \$9,185,259 to \$8,975,727 for business-type activities.

Total net position for governmental activities showed an increase from 2017. This was largely due to increases in income tax collections as well as changes in deferred inflows and outflows related to net pension liability. Total net position for business-type activities saw an increase due to revenues outpacing expenses for the year.

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	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$1,765,045	\$1,756,682	\$3,939,917	\$2,730,897	\$5,704,962	\$4,487,579
Operating Grants and Contributions	1,520,397	1,802,535	0	0	1,520,397	1,802,535
Capital Grants and Contributions	485,021	216,123	0	0	485,021	216,123
Total Program Revenues	<u>3,770,463</u>	<u>3,775,340</u>	<u>3,939,917</u>	<u>2,730,897</u>	<u>7,710,380</u>	<u>6,506,237</u>
General Revenues						
Property Taxes	4,346,212	2,579,621	0	0	4,346,212	2,579,621
Municipal Income Taxes	7,093,820	6,409,708	0	0	7,093,820	6,409,708
Hotel Taxes	18,218	31,470	0	0	18,218	31,470
Permissive MVL Taxes	138,627	138,490	0	0	138,627	138,490
Grants and Entitlements	1,617,706	1,220,377	0	0	1,617,706	1,220,377
Franchise Taxes	308,841	247,423	0	0	308,841	247,423
Interest	162,561	51,696	0	0	162,561	51,696
Unrestricted Contributions	0	19,910	0	0	0	19,910
Other	203,673	147,110	0	0	203,673	147,110
Total General Revenues	<u>13,889,658</u>	<u>10,845,805</u>	<u>0</u>	<u>0</u>	<u>13,889,658</u>	<u>10,845,805</u>
<i>Total Revenues</i>	<u>\$17,660,121</u>	<u>\$14,621,145</u>	<u>\$3,939,917</u>	<u>\$2,730,897</u>	<u>\$21,600,038</u>	<u>\$17,352,042</u>

(continued)



**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Program Expenses</b>						
General Government	\$3,541,339	\$3,297,957	\$0	\$0	\$3,541,339	\$3,297,957
Security of Persons and Property	7,648,134	6,588,305	0	0	7,648,134	6,588,305
Public Health Services	201,345	200,148	0	0	201,345	200,148
Transportation	1,627,193	1,739,497	0	0	1,627,193	1,739,497
Community Environment	205,044	409,193	0	0	205,044	409,193
Basic Utility Services	151,843	1,107,215	0	0	151,843	1,107,215
Leisure Time Activities	995,948	586,722	0	0	995,948	586,722
Interest and Fiscal Charges	369,791	392,102	0	0	369,791	392,102
Sanitary Sewer	0	0	2,328,630	2,221,579	2,328,630	2,221,579
Storm Water	0	0	764,975	353,039	764,975	353,039
<i>Total Expenses</i>	<u>14,740,637</u>	<u>14,321,139</u>	<u>3,093,605</u>	<u>2,574,618</u>	<u>17,834,242</u>	<u>16,895,757</u>
Increase (Decrease) in Net Position						
Before Transfers	2,919,484	300,006	846,312	156,279	3,765,796	456,285
Transfers	3,127	3,127	(3,127)	(3,127)	0	0
Change in Net Position	2,922,611	303,133	843,185	153,152	3,765,796	456,285
Net Position Beginning of Year	7,356,783	N/A	8,975,827	N/A	16,332,610	N/A
Net Position End of Year	<u>\$10,279,394</u>	<u>\$7,356,783</u>	<u>\$9,819,012</u>	<u>\$8,975,827</u>	<u>\$20,098,406</u>	<u>\$16,332,610</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$37,034 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$922,871. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	\$14,740,637	\$3,093,605	\$17,834,242
OPEB expense under GASB 75	(889,324)	(33,547)	(922,871)
2018 contractually required contribution	20,397	15	20,412
Adjusted 2018 program expenses	13,871,710	3,060,073	16,931,783
Total 2017 program expenses under GASB 45	14,321,139	2,574,618	16,895,757
Decrease in program expenses not related to OPEB	<u>(\$449,429)</u>	<u>\$485,455</u>	<u>\$36,026</u>

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

***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 2018, property tax revenues increased substantially due increased levels of collections. Municipal income taxes saw an increase from 2017 due to increased economic development.

Program expenses increased from 2017 levels. The most substantial increase was in security of persons and property due to new spending from the fire and EMS levy special revenue fund. 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

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$3,541,339	(\$2,913,502)	\$3,297,957	(\$2,366,698)
Security of Persons and Property	7,648,134	(6,584,691)	6,588,305	(5,421,636)
Public Health Services	201,345	(171,054)	200,148	(170,596)
Transportation	1,627,193	(724,578)	1,739,497	(902,318)
Community Environment	205,044	295,426	409,193	(176,539)
Basic Utility Services	151,843	255,375	1,107,215	(701,214)
Leisure Time Activities	995,948	(757,359)	586,722	(414,696)
Interest and Fiscal Charges	369,791	(369,791)	392,102	(392,102)
<b>Total</b>	<b>\$14,740,637</b>	<b>(\$10,970,174)</b>	<b>\$14,321,139</b>	<b>(\$10,545,799)</b>

***Business-Type Activities***

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Revenues saw an increase for 2018. 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, 2018*  
*Unaudited*

**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 16 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 and tax collections. 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 an 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 due to higher property tax revenues.

**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 2018, 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 2018 balances of capital assets as compared to 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$7,470,580	\$7,001,655	\$75,556	\$75,556	\$7,546,136	\$7,077,211
Construction in Progress	0	692,926	902,159	256,013	902,159	948,939
Land Improvements	11,823,717	12,194,479	0	0	11,823,717	12,194,479
Buildings and Improvements	3,875,886	3,772,791	1,656,661	1,671,023	5,532,547	5,443,814
Machinery and Equipment	1,478,043	1,386,318	299,962	486,421	1,778,005	1,872,739
Vehicles	1,861,995	1,870,678	248,132	117,473	2,110,127	1,988,151
Infrastructure	6,848,318	6,307,674	1,769,944	1,828,545	8,618,262	8,136,219
<b>Total Capital Assets</b>	<b>\$33,358,539</b>	<b>\$33,226,521</b>	<b>\$4,952,414</b>	<b>\$4,435,031</b>	<b>\$38,310,953</b>	<b>\$37,661,552</b>

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

For 2018, the primary additions for governmental activities included land received from the City of Willoughby, upgrades to communication systems, the Miracle League Ballpark playground and police vehicles. 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, 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$9,286,249	\$10,145,103	\$0	\$0	\$9,286,249	\$10,145,103
OPWC Loans	175,790	200,422	98,952	106,467	274,742	306,889
Capital Leases	388,420	479,106	0	0	388,420	479,106
Compensated Absences	1,184,142	1,240,041	23,002	53,593	1,207,144	1,293,634
Workers' Compensation Liability	8,447	28,283	0	0	8,447	28,283
Net Pension Liability	12,216,880	13,670,931	411,859	596,974	12,628,739	14,267,905
Net OPEB Liability	10,721,516	9,100,548	266,204	212,915	10,987,720	9,313,463
<b>Total</b>	<b>\$33,981,444</b>	<b>\$34,864,434</b>	<b>\$800,017</b>	<b>\$969,949</b>	<b>\$34,781,461</b>	<b>\$35,834,383</b>

At December 31, 2018, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds, 2014 Capital Facility Bonds, 2013 Capital Facilities Refunding Bonds and 2011 Various Purpose 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 OPWC loans, capital leases, compensated absences, workers' compensation liability, pension and OPEB. 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**

**City of Eastlake, Ohio**  
*Statement of Net Position*  
*December 31, 2018*

	Governmental Activities	Business-Type Activities	Total*
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,710,994	\$5,274,107	\$10,985,101
Accounts Receivable	251,886	512,471	764,357
Internal Balances	25,574	(25,574)	0
Intergovernmental Receivable	1,391,289	35,775	1,427,064
Municipal Income Taxes Receivable	1,956,444	0	1,956,444
Hotel Taxes Receivable	1,576	0	1,576
Franchise Taxes Receivable	20,366	0	20,366
Permissive Motor Vehicle Taxes Receivable	68,772	0	68,772
Prepaid Items	105,890	0	105,890
Materials and Supplies Inventory	81,924	2,220	84,144
Property Taxes Receivable	4,695,852	0	4,695,852
Special Assessments Receivable	0	57,271	57,271
Nondepreciable Capital Assets	7,470,580	977,715	8,448,295
Depreciable Capital Assets, Net	25,887,959	3,974,699	29,862,658
<i>Total Assets</i>	<u>47,669,106</u>	<u>10,808,684</u>	<u>58,477,790</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	404,079	0	404,079
Pension	1,980,670	103,856	2,084,455
OPEB	1,149,978	43,071	1,193,049
<i>Total Deferred Outflows of Resources</i>	<u>3,534,727</u>	<u>146,927</u>	<u>3,681,583</u>
<b>Liabilities</b>			
Accounts Payable	254,109	750	254,859
Accrued Wages	136,679	2,974	139,653
Matured Compensated Absences Payable	57,658	0	57,658
Intergovernmental Payable	128,844	211,761	340,605
Accrued Interest Payable	66,760	0	66,760
Long-Term Liabilities:			
Due Within One Year	1,292,852	19,784	1,312,636
Due In More Than One Year	9,750,196	102,170	9,852,366
Net Pension Liability (See Note 13)	12,216,880	411,859	12,628,739
Net OPEB Liability (See Note 14)	10,721,516	266,204	10,987,720
<i>Total Liabilities</i>	<u>34,625,494</u>	<u>1,015,502</u>	<u>35,640,996</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,563,726	0	4,563,726
Pension	1,370,894	101,266	1,472,089
OPEB	364,325	19,831	384,156
<i>Total Deferred Inflows of Resources</i>	<u>6,298,945</u>	<u>121,097</u>	<u>6,419,971</u>
<b>Net Position</b>			
Net Investment in Capital Assets	23,970,326	4,853,462	28,823,788
Restricted for:			
Capital Projects	887,624	0	887,624
Debt Service	233,772	0	233,772
Other Purposes	1,586,501	0	1,586,501
Unrestricted (Deficit)	<u>(16,398,829)</u>	<u>4,965,550</u>	<u>(11,433,279)</u>
<i>Total Net Position</i>	<u>\$10,279,394</u>	<u>\$9,819,012</u>	<u>\$20,098,406</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, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
General Government	\$3,541,339	\$499,475	\$128,362	\$0
Security of Persons and Property	7,648,134	624,270	423,077	16,096
Public Health Services	201,345	30,291	0	0
Transportation	1,627,193	24,309	878,306	0
Community Environment	205,044	31,545	0	468,925
Basic Utility Services	151,843	407,218	0	0
Leisure Time Activities	995,948	147,937	90,652	0
Interest and Fiscal Charges	369,791	0	0	0
<i>Total Governmental Activities</i>	<u>14,740,637</u>	<u>1,765,045</u>	<u>1,520,397</u>	<u>485,021</u>
<b>Business-Type Activities:</b>				
Sanitary Sewer	2,328,630	2,075,554	0	0
Storm Water	764,975	1,864,363	0	0
<i>Total Business-Type Activities</i>	<u>3,093,605</u>	<u>3,939,917</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$17,834,242</u>	<u>\$5,704,962</u>	<u>\$1,520,397</u>	<u>\$485,021</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  
Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

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

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$2,913,502)	\$0	(\$2,913,502)
(6,584,691)	0	(6,584,691)
(171,054)	0	(171,054)
(724,578)	0	(724,578)
295,426	0	295,426
255,375	0	255,375
(757,359)	0	(757,359)
(369,791)	0	(369,791)
(10,970,174)	0	(10,970,174)
0	(253,076)	(253,076)
0	1,099,388	1,099,388
0	846,312	846,312
(10,970,174)	846,312	(10,123,862)
1,150,518	0	1,150,518
159,543	0	159,543
113,955	0	113,955
113,955	0	113,955
2,008,666	0	2,008,666
799,575	0	799,575
7,093,820	0	7,093,820
18,218	0	18,218
138,627	0	138,627
1,617,706	0	1,617,706
308,841	0	308,841
162,561	0	162,561
203,673	0	203,673
13,889,658	0	13,889,658
3,127	(3,127)	0
13,892,785	(3,127)	13,889,658
2,922,611	843,185	3,765,796
7,356,783	8,975,827	16,332,610
\$10,279,394	\$9,819,012	\$20,098,406



**City of Eastlake, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2018*

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and						
Cash Equivalents	\$3,669,647	\$196,844	\$285,868	\$651,953	\$865,070	\$5,669,382
Accounts Receivable	251,886	0	0	0	0	251,886
Intergovernmental Receivable	838,037	29,417	9,695	38,730	475,410	1,391,289
Municipal Income Taxes Receivable	1,956,444	0	0	0	0	1,956,444
Hotel Taxes Receivable	0	0	0	0	1,576	1,576
Franchise Taxes Receivable	20,366	0	0	0	0	20,366
Permissive Motor Vehicle						
Taxes Receivable	0	0	0	0	68,772	68,772
Prepaid Items	79,894	0	0	0	25,996	105,890
Materials and Supplies Inventory	5,442	0	0	54,780	21,702	81,924
Property Taxes Receivable	1,323,288	1,857,710	182,812	903,448	428,594	4,695,852
Due from Other Funds	0	0	0	10,106	25,574	35,680
Restricted Assets:						
Equity in Pooled Cash and						
Cash Equivalents in Segregated Accounts	41,612	0	0	0	0	41,612
<b>Total Assets</b>	<b>\$8,186,616</b>	<b>\$2,083,971</b>	<b>\$478,375</b>	<b>\$1,659,017</b>	<b>\$1,912,694</b>	<b>\$14,320,673</b>
<b>Liabilities</b>						
Accounts Payable	\$240,882	\$0	\$0	\$5,803	\$7,424	\$254,109
Contracts Payable	0	0	0	0	0	0
Accrued Wages	125,689	0	0	0	10,990	136,679
Matured Compensated Absences Payable	57,658	0	0	0	0	57,658
Intergovernmental Payable	105,778	0	0	2,675	20,391	128,844
Due to Other Funds	0	0	0	0	10,106	10,106
<b>Total Liabilities</b>	<b>530,007</b>	<b>0</b>	<b>0</b>	<b>8,478</b>	<b>48,911</b>	<b>587,396</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,286,352	1,804,467	177,843	878,298	416,766	4,563,726
Unavailable Revenue	1,357,480	82,660	14,664	63,880	398,546	1,917,230
<b>Total Deferred Inflows of Resources</b>	<b>2,643,832</b>	<b>1,887,127</b>	<b>192,507</b>	<b>942,178</b>	<b>815,312</b>	<b>6,480,956</b>
<b>Fund Balances</b>						
Nonspendable	126,948	0	0	54,780	47,698	229,426
Restricted	0	196,844	285,868	653,581	948,683	2,084,976
Committed	60,793	0	0	0	52,090	112,883
Assigned	321,787	0	0	0	0	321,787
Unassigned	4,503,249	0	0	0	0	4,503,249
<b>Total Fund Balances</b>	<b>5,012,777</b>	<b>196,844</b>	<b>285,868</b>	<b>708,361</b>	<b>1,048,471</b>	<b>7,252,321</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$8,186,616</b>	<b>\$2,083,971</b>	<b>\$478,375</b>	<b>\$1,659,017</b>	<b>\$1,912,694</b>	<b>\$14,320,673</b>

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, 2018*

<b>Total Governmental Funds Balances</b>	<b>\$7,252,321</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,358,539
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	132,126
Intergovernmental	819,976
Municipal Income Taxes	715,861
Charges for Services	156,725
Franchise Taxes	45,991
Permissive Sales Tax	46,551
Total	1,917,230
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(66,760)
Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	404,079
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(9,286,249)
OPWC Loans Payable	(175,790)
Capital Leases Payable	(388,420)
Compensated Absences Payable	(1,184,142)
Claims Payable	(8,447)
Total	(11,043,048)
The net pension liability and net OPEB liability are 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	1,980,670
Net Pension Liability	(12,216,880)
Deferred Inflows - Pension	(1,370,894)
Deferred Outflows - OPEB	1,149,978
Net OPEB Liability	(10,721,516)
Deferred Inflows - OPEB	(364,325)
Total	(21,542,967)
<i>Net Position of Governmental Activities</i>	<b>\$10,279,394</b>

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, 2018*

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$1,141,082	\$1,805,005	\$158,594	\$791,812	\$375,729	\$4,272,222
Municipal Income Taxes	7,011,354	0	0	0	0	7,011,354
Hotel Taxes	0	0	0	0	18,218	18,218
Permissive Motor Vehicle Taxes	0	0	0	0	148,924	148,924
Intergovernmental	1,586,350	58,842	19,390	150,700	1,307,729	3,123,011
Charges for Services	900,957	0	0	0	82,028	982,985
Fees, Licenses and Permits	364,674	0	0	0	41,396	406,070
Franchise Taxes	262,850	0	0	0	0	262,850
Fines and Forfeitures	116,601	0	0	0	6,041	122,642
Interest	159,577	0	0	0	2,984	162,561
Rentals	0	0	0	0	328,954	328,954
Contributions and Donations	0	0	0	0	56,011	56,011
Other	203,248	0	0	0	425	203,673
<i>Total Revenues</i>	<u>11,746,693</u>	<u>1,863,847</u>	<u>177,984</u>	<u>942,512</u>	<u>2,368,439</u>	<u>17,099,475</u>
<b>Expenditures</b>						
Current:						
General Government	3,353,359	0	1,831	0	39,183	3,394,373
Security of Persons and Property	4,174,521	1,710,080	0	0	634,247	6,518,848
Public Health Services	202,046	0	0	0	0	202,046
Transportation	138,954	0	0	0	882,374	1,021,328
Community Environment	207,418	0	0	0	1	207,419
Basic Utility Services	90	0	0	0	0	90
Leisure Time Activities	749,623	0	0	0	104,633	854,256
Capital Outlay	0	0	0	719,822	135,681	855,503
Debt Service:						
Principal Retirement	8,563	0	860,000	24,632	130,186	1,023,381
Interest and Fiscal Charges	0	0	326,633	0	12,877	339,510
<i>Total Expenditures</i>	<u>8,834,574</u>	<u>1,710,080</u>	<u>1,188,464</u>	<u>744,454</u>	<u>1,939,182</u>	<u>14,416,754</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,912,119</u>	<u>153,767</u>	<u>(1,010,480)</u>	<u>198,058</u>	<u>429,257</u>	<u>2,682,721</u>
<b>Other Financing Sources (Uses)</b>						
Inception of Capital Lease	48,063	0	0	0	0	48,063
Transfers In	0	0	1,245,000	3,127	23,000	1,271,127
Transfers Out	(868,000)	0	0	0	(400,000)	(1,268,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(819,937)</u>	<u>0</u>	<u>1,245,000</u>	<u>3,127</u>	<u>(377,000)</u>	<u>51,190</u>
<i>Net Change in Fund Balances</i>	2,092,182	153,767	234,520	201,185	52,257	2,733,911
<i>Fund Balances Beginning of Year - Restated - See Note 3</i>	<u>2,920,595</u>	<u>43,077</u>	<u>51,348</u>	<u>507,176</u>	<u>996,214</u>	<u>4,518,410</u>
<i>Fund Balances End of Year</i>	<u><u>\$5,012,777</u></u>	<u><u>\$196,844</u></u>	<u><u>\$285,868</u></u>	<u><u>\$708,361</u></u>	<u><u>\$1,048,471</u></u>	<u><u>\$7,252,321</u></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, 2018*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$2,733,911</b>
<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	1,403,772	
Depreciation	<u>(1,165,162)</u>	
Total		238,610
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.		
		(106,592)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds:		
Property Taxes	73,990	
Municipal Income Taxes	82,466	
Intergovernmental	(24,823)	
Charges for Services	(75,606)	
Franchise Taxes	45,991	
Permissive Sales Tax	<u>(10,297)</u>	
Total		91,721
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,023,381
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.		
		(48,063)
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	3,816	
Amortization of Accounting Loss	(1,146)	
Amortization of Discount	<u>(32,951)</u>	
Total		(30,281)
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	55,899	
Claims	<u>19,836</u>	
Total		75,735
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows.		
Pension	1,138,691	
OPEB	<u>20,397</u>	
		1,159,088
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
Pension	(1,325,575)	
OPEB	<u>(889,324)</u>	
		<u>(2,214,899)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$2,922,611</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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,087,173	\$1,087,173	\$1,141,082	\$53,909
Municipal Income Taxes	5,734,673	5,935,236	6,882,636	947,400
Intergovernmental	1,269,268	1,309,297	1,373,055	63,758
Charges for Services	745,661	771,741	894,357	122,616
Fees, Licenses and Permits	304,073	314,707	364,674	49,967
Franchise Taxes	220,367	228,074	264,162	36,088
Fines and Forfeitures	92,247	95,473	110,912	15,439
Interest	133,245	137,905	159,577	21,672
Other	169,557	175,382	203,248	27,866
<i>Total Revenues</i>	9,756,264	10,054,988	11,393,703	1,338,715
<b>Expenditures</b>				
Current:				
General Government	3,663,398	3,983,497	3,451,344	532,153
Security of Persons and Property	4,536,619	4,542,620	4,187,627	354,993
Public Health Services	202,046	202,046	202,046	0
Transportation	129,225	161,125	144,567	16,558
Community Environment	219,221	219,221	211,080	8,141
Basic Utility Services	1,500	1,500	90	1,410
Leisure Time Activities	617,027	872,027	828,082	43,945
<i>Total Expenditures</i>	9,369,036	9,982,036	9,024,836	957,200
<i>Excess of Revenues Over Expenditures</i>	387,228	72,952	2,368,867	2,295,915
<b>Other Financing Uses</b>				
Transfers Out	(868,000)	(868,000)	(868,000)	0
<i>Net Change in Fund Balance</i>	(480,772)	(795,048)	1,500,867	2,295,915
<i>Fund Balance Beginning of Year</i>	1,630,284	1,630,284	1,630,284	0
Prior Year Encumbrances Appropriated	143,293	143,293	143,293	0
<i>Fund Balance End of Year</i>	\$1,292,805	\$978,529	\$3,274,444	\$2,295,915

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  
 Fire and EMS Levy Fund  
 For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,765,125	\$1,765,125	\$1,848,082	\$82,957
Intergovernmental	56,201	56,201	58,842	2,641
<i>Total Revenues</i>	1,821,326	1,821,326	1,906,924	85,598
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,766,774	1,766,774	1,710,080	56,694
<i>Net Change in Fund Balance</i>	54,552	54,552	196,844	142,292
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$54,552</u>	<u>\$54,552</u>	<u>\$196,844</u>	<u>\$142,292</u>

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2018*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Assets</b>			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$4,058,986	\$1,215,121	\$5,274,107
Accounts Receivable	512,471	0	512,471
Intergovernmental Receivable	35,775	0	35,775
Materials and Supplies Inventory	2,220	0	2,220
<i>Total Current Assets</i>	<u>4,609,452</u>	<u>1,215,121</u>	<u>5,824,573</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	57,271	0	57,271
Nondepreciable Capital Assets	977,715	0	977,715
Depreciable Capital Assets, Net	3,974,699	0	3,974,699
<i>Total Noncurrent Assets</i>	<u>5,009,685</u>	<u>0</u>	<u>5,009,685</u>
<i>Total Assets</i>	<u>9,619,137</u>	<u>1,215,121</u>	<u>10,834,258</u>
<b>Deferred Outflows of Resources</b>			
Pension	103,856	0	103,856
OPEB	43,071	0	43,071
<i>Total Deferred Outflows of Resources</i>	<u>146,927</u>	<u>0</u>	<u>146,927</u>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts Payable	750	0	750
Accrued Wages	2,974	0	2,974
Intergovernmental Payable	211,761	0	211,761
Due to Other Funds	0	25,574	25,574
Compensated Absences Payable	12,269	0	12,269
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>235,269</u>	<u>25,574</u>	<u>260,843</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	10,733	0	10,733
OPWC Loan Payable	91,437	0	91,437
Net Pension Liability	411,859	0	411,859
Net OPEB Liability	266,204	0	266,204
<i>Total Long-Term Liabilities</i>	<u>780,233</u>	<u>0</u>	<u>780,233</u>
<i>Total Liabilities</i>	<u>1,015,502</u>	<u>25,574</u>	<u>1,041,076</u>
<b>Deferred Inflows of Resources</b>			
Pension	101,266	0	101,266
OPEB	19,831	0	19,831
<i>Total Inflows Outflows of Resources</i>	<u>121,097</u>	<u>0</u>	<u>121,097</u>
<b>Net Position</b>			
Net Investment in Capital Assets	4,853,462	0	4,853,462
Unrestricted	3,776,003	1,189,547	4,965,550
<i>Total Net Position</i>	<u>\$8,629,465</u>	<u>\$1,189,547</u>	<u>\$9,819,012</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, 2018*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Operating Revenue</b>			
Charges for Services	<u>\$2,075,554</u>	<u>\$1,864,363</u>	<u>\$3,939,917</u>
<b>Operating Expenses</b>			
Personal Services	311,029	32,262	343,291
Contractual Services	1,825,970	732,713	2,558,683
Materials and Supplies	16,348	0	16,348
Depreciation	<u>175,283</u>	<u>0</u>	<u>175,283</u>
<i>Total Operating Expenses</i>	<u>2,328,630</u>	<u>764,975</u>	<u>3,093,605</u>
<i>Income Before Transfers</i>	(253,076)	1,099,388	846,312
Transfers Out	<u>(3,127)</u>	<u>0</u>	<u>(3,127)</u>
<i>Change in Net Position</i>	(256,203)	1,099,388	843,185
<i>Net Position Beginning of Year - Restated - See Note 3</i>	<u>8,885,668</u>	<u>90,159</u>	<u>8,975,827</u>
<i>Net Position End of Year</i>	<u><u>\$8,629,465</u></u>	<u><u>\$1,189,547</u></u>	<u><u>\$9,819,012</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, 2018

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$2,352,653	\$1,889,937	\$4,242,590
Cash Payments to Suppliers for Goods and Services	(1,694,989)	(736,649)	(2,431,638)
Cash Payments for Employee Services and Benefits	(277,479)	(32,262)	(309,741)
<i>Net Cash Provided by Operating Activities</i>	<u>380,185</u>	<u>1,121,026</u>	<u>1,501,211</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(692,666)	0	(692,666)
Principal Paid on OPWC Loans	(7,515)	0	(7,515)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(700,181)</u>	<u>0</u>	<u>(700,181)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer Out	(3,127)	0	(3,127)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(323,123)	1,121,026	797,903
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,382,109</u>	<u>94,095</u>	<u>4,476,204</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$4,058,986</u></u>	<u><u>\$1,215,121</u></u>	<u><u>\$5,274,107</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	(\$253,076)	\$1,099,388	\$846,312
Adjustments:			
Depreciation	175,283	0	175,283
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	282,037	0	282,037
Intergovernmental Receivable	(35,775)	0	(35,775)
Special Assessments Receivable	30,837	0	30,837
Materials and Supplies Inventory	2,930	0	2,930
Deferred Outflows - Pension	71,567	0	71,567
Deferred Outflows - OPEB	24,053	0	24,053
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(26,222)	(2,935)	(29,157)
Contracts Payable	(32,049)	(1,001)	(33,050)
Accrued Wages	(4,797)	0	(4,797)
Compensated Absences Payable	(30,591)	0	(30,591)
Intergovernmental Payable	207,713	0	207,713
Due to Other Funds	0	25,574	25,574
Net Pension Liability	8,957	0	8,957
Net OPEB Liability	14,437	0	14,437
Deferred Inflows - Pension	(50,161)	0	(50,161)
Deferred Inflows - OPEB	(4,958)	0	(4,958)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$380,185</u></u>	<u><u>\$1,121,026</u></u>	<u><u>\$1,501,211</u></u>

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2018*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$174,462</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$174,462</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, 2018*

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**Note 1 - Reporting Entity**

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

***Reporting Entity***

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

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

The City participates in 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 18, 19 and 20 to the basic financial statements.

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

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

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

***Basis of Presentation***

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

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

***Fund Accounting***

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

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

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

***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, 2018*

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**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, 2018*

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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 are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City,

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

***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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***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 2018, 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 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2018 amounted to \$159,577, of which \$104,657 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, 2018, 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**  
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*For the Year Ended December 31, 2018*

***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.

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, 2018*

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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. 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 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

***Pensions/Other Postemployment Benefits (OPEB)***

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

***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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**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.

**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.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***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.

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 expensed 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 Principles and Restatement of Net Position and Fund Balance**

***Change in Accounting Principles***

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

**City of Eastlake, Ohio**  
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GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

***Restatement of Net Position and Fund Balance***

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	\$16,423,719	\$9,185,259
Adjustments:		
Net OPEB Liability	(9,100,548)	(212,915)
Deferred Outflow - Payments Subsequent to Measurement Date	33,612	3,483
Restated Net Position December 31, 2017	\$7,356,783	\$8,975,827

	Sanitary Sewer	Storm Water	Total Enterprise
Net Position December 31, 2017	\$9,095,100	\$90,159	\$9,185,259
Adjustments:			
Net Pension Liability	(212,915)	0	(212,915)
Deferred Outflow - Payments Subsequent to Measurement Date	3,483	0	3,483
Restated Net Position December 31, 2017	\$8,885,668	\$90,159	\$8,975,827

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

During 2018, it was determined that a portion of the general fund's fund balance needed to be presented as a separate special revenue fund. As a result, the general fund's fund balance decreased by \$39,346 from \$2,959,941 to \$2,920,595 and other governmental funds' fund balance increased by \$39,346 from \$956,868 to \$996,214.

**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

**City of Eastlake, Ohio**  
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encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and Actual presented for the general fund and fire and ems levy special revenue are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund and the fire and EMS special revenue fund.

	General	Fire and EMS
GAAP Basis	\$2,092,182	\$153,767
Net Adjustment for Revenue Accruals	(401,053)	43,077
Net Adjustment for Expenditure Accruals	246,553	0
Encumbrances	(436,815)	0
Budget Basis	\$1,500,867	\$196,844

**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 and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<b><i>Nonspendable:</i></b>						
Prepaid Items	\$79,894	\$0	\$0	\$0	\$25,996	\$105,890
Materials and Supplies Inventory	5,442	0	0	54,780	21,702	81,924
Unclaimed Monies	41,612	0	0	0	0	41,612
<b><i>Total Nonspendable</i></b>	<b>126,948</b>	<b>0</b>	<b>0</b>	<b>54,780</b>	<b>47,698</b>	<b>229,426</b>
<b><i>Restricted for:</i></b>						
Road Improvements	0	0	0	653,581	467,888	1,121,469
Public Safety	0	0	0	0	144,022	144,022
Fire Operations	0	0	0	0	75,894	75,894
Police and Fire Pension	0	0	0	0	21,739	21,739
Fire and EMS Pension	0	196,844	0	0	0	196,844
Senior Citizens	0	0	0	0	11,692	11,692
Stadium Maintenance	0	0	0	0	54,970	54,970
Recreation Land Acquisition	0	0	0	0	172,478	172,478
Debt Service Payments	0	0	285,868	0	0	285,868
<b><i>Total Restricted</i></b>	<b>\$0</b>	<b>\$196,844</b>	<b>\$285,868</b>	<b>\$653,581</b>	<b>\$948,683</b>	<b>\$2,084,976</b>

(continued)

**City of Eastlake, Ohio**  
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Fund Balances (continued)	General	Fire & EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<b><i>Committed to</i></b>						
Donations	\$0	\$0	\$0	\$0	\$52,090	\$52,090
Purchases on order:						
Leisure Time Activities	60,793	0	0	0	0	60,793
<b><i>Total Committed</i></b>	<b>60,793</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52,090</b>	<b>112,883</b>
<b><i>Assigned to:</i></b>						
Purchases on order:						
General Government	197,900	0	0	0	0	197,900
Security of Persons and Property	85,865	0	0	0	0	85,865
Leisure Time Activities	18,558	0	0	0	0	18,558
Community Environment	1,091	0	0	0	0	1,091
Transportation	18,373	0	0	0	0	18,373
<b><i>Total Assigned</i></b>	<b>321,787</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>321,787</b>
<b><i>Unassigned</i></b>	<b>4,503,249</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,503,249</b>
<b><i>Total Fund Balances</i></b>	<b>\$5,012,777</b>	<b>\$196,844</b>	<b>\$285,868</b>	<b>\$708,361</b>	<b>\$1,048,471</b>	<b>\$7,252,321</b>

**Note 6 - Deposits and Investments**

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

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

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.

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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, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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



**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

### **Deposits**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018, \$495,399 of the City's total bank balance of \$5,906,661 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end, the City had \$6,950 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

### **Investments**

At December 31, 2017, the City had \$5,471,764 invested in STAR Ohio with an average maturity of 44.9 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, 2018*

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**Note 7 - Receivables**

Receivables at December 31, 2018, 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 \$57,271 in the sanitary sewer enterprise fund.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018 was \$12.80 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2018 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$266,052,787
Other Real Estate	90,172,704
Public Utility Personal Property	<u>48,513,629</u>
Total Assessed Values	<u>\$404,739,120</u>

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, 2018, and for which there was an enforceable legal claim. In

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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governmental funds, the portion of the receivable not levied to finance 2018 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
<b>Governmental Activities:</b>	
Local Government	\$513,747
Gasoline Tax	373,533
Ohio Department of Natural Resources	220,500
Homestead and Rollback	165,200
Auto Registration	73,315
Village of Timberlake	22,851
Northeast Ohio Public Energy Commission	9,803
Federal Grants	6,426
City of Willoughby	5,914
Total	\$1,391,289

**Note 8 - Tax Abatements**

As of December 31, 2018, the City provides tax abatements through Community Reinvestment Area (CRA) Tax Abatements the Municipal Income Tax Incentive Program.

***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 \$5,755.

**City of Eastlake, Ohio**  
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***Municipal Income Tax Incentive Program***

The City of Eastlake created the Municipal Tax Incentive Program in 2007. The purpose of the program is to maintain Eastlake's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to businesses based on the business' new gross annual payroll. The abatement is administered as a refund based on the business' payroll taxes. The time period in years is based on the business' amount of new gross payroll created. During 2018, the cap on the incentive was 50 percent of the business' 2 percent City payroll tax with an incentive period of no more than 7 years. In 2018, the taxes abated under this program were \$150,775.

**Note 9 - Interfund Transactions**

***Interfund Transfers***

During 2018, the general fund transferred \$845,000 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 \$400,000 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.

***Internal Balances***

At December 31, 2018, \$25,574 was due from the storm water enterprise fund to governmental funds for unreimbursed costs and has been reported as internal balances on the statement of net position. On the modified accrual basis, \$10,106 was due between other governmental funds for unreimbursed costs.

**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, 2018 to December 31, 2018, 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**  
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**Note 11 - Capital Assets**

A summary of changes in capital assets during 2018 follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,001,655	\$468,925	\$0	\$7,470,580
Construction in Progress	692,926	0	(692,926)	0
<i>Total Nondepreciable Capital Assets</i>	<u>7,694,581</u>	<u>468,925</u>	<u>(692,926)</u>	<u>7,470,580</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	\$18,036,950	\$0	\$0	\$18,036,950
Buildings and Improvements	9,451,535	287,850	0	9,739,385
Machinery and Equipment	4,288,148	308,909	0	4,597,057
Vehicles	5,595,043	338,088	(1,117,159)	4,815,972
Infrastructure	27,115,499	692,926	0	27,808,425
<i>Total Depreciable Capital Assets</i>	<u>64,487,175</u>	<u>1,627,773</u>	<u>(1,117,159)</u>	<u>64,997,789</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(5,842,471)	(370,762)	0	(6,213,233)
Buildings and Improvements	(5,678,744)	(184,755)	0	(5,863,499)
Machinery and Equipment	(2,901,830)	(217,184)	0	(3,119,014)
Vehicles	(3,724,365)	(240,179)	1,010,567	(2,953,977)
Infrastructure	(20,807,825)	(152,282)	0	(20,960,107)
<i>Total Accumulated Depreciation</i>	<u>(38,955,235)</u>	<u>(1,165,162) *</u>	<u>1,010,567</u>	<u>(39,109,830)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>25,531,940</u>	<u>462,611</u>	<u>(106,592)</u>	<u>25,887,959</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$33,226,521</u>	<u>\$931,536</u>	<u>(\$799,518)</u>	<u>\$33,358,539</u>

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$32,470
Security of Persons and Property	241,522
Transportation	199,470
Community Environment	1,563
Basic Utility Services	537,855
Leisure Time Activities	152,282
Total	<u>\$1,165,162</u>

**City of Eastlake, Ohio**  
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	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<b>Business-Type Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	256,013	646,146	0	902,159
<i>Total Nondepreciable Capital Assets</i>	<u>331,569</u>	<u>646,146</u>	<u>0</u>	<u>977,715</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	2,862,787	46,520	0	2,909,307
Machinery and Equipment	771,989	0	0	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>13,829,117</u>	<u>46,520</u>	<u>0</u>	<u>13,875,637</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,191,764)	(60,882)	0	(1,252,646)
Machinery and Equipment	(285,568)	(45,394)	0	(330,962)
Vehicles	(461,621)	(10,406)	0	(472,027)
Infrastructure				
Sewers	(7,786,702)	(58,601)	0	(7,845,303)
<i>Total Accumulated Depreciation</i>	<u>(9,725,655)</u>	<u>(175,283)</u>	<u>0</u>	<u>(9,900,938)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>4,103,462</u>	<u>(128,763)</u>	<u>0</u>	<u>3,974,699</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$4,435,031</u>	<u>\$517,383</u>	<u>\$0</u>	<u>\$4,952,414</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 2018, the City participated in NORMA (Note 19), 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.

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In prior years, the City participated in the State Workers' Compensation retrospective rating and payment system. During 2018, 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 \$8,447 have been accrued as a liability at December 31, 2018 based on an estimate by the City.

The outstanding claims liability of \$8,447 reported at December 31, 2018, 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 2017 and 2018 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	\$40,937	\$28,283	\$40,937	\$28,283
2018	28,283	8,447	28,283	8,447

**Note 13 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability***

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates annually.

The 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
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employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

***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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. No employee members contribute to the combined plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):



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

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
 <b>2018 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, The City's contractually required contribution was \$318,498 for the traditional plan. Of these amounts, \$24,634 is reported as an intergovernmental payable for the traditional plan.

***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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of 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.

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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:

	<u>Police</u>	<u>Firefighters</u>
<b>2018 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2018 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
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 \$874,338 for 2018. Of this amount, \$58,795 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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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 of the City's defined benefit pension plans:

	OPERS <u>Traditional Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.015443%	0.166291%	
Prior Measurement Date	<u>0.015464%</u>	<u>0.169821%</u>	
Change in Proportionate Share	<u>-0.000021%</u>	<u>-0.003530%</u>	
Proportionate Share of the:			
Net Pension Liability	\$2,422,708	\$10,206,031	\$12,628,739
Pension Expense	371,513	1,038,570	1,410,083

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$2,474	\$154,884	\$157,358
Changes of assumptions	289,530	444,731	734,261
City contributions subsequent to the measurement date	<u>318,498</u>	<u>874,338</u>	<u>1,192,836</u>
Total Deferred Outflows of Resources	<u>\$610,502</u>	<u>\$1,473,953</u>	<u>\$2,084,455</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$47,744	\$18,463	\$66,207
Net difference between projected and actual earnings on pension plan investments	520,123	353,050	873,173
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>47,355</u>	<u>485,354</u>	<u>532,709</u>
Total Deferred Inflows of Resources	<u>\$615,222</u>	<u>\$856,867</u>	<u>\$1,472,089</u>

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\$1,192,836 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OP&F	Total
Year Ending December 31:			
2019	\$172,649	\$134,994	\$307,643
2020	(53,105)	42,174	(10,931)
2021	(229,035)	(323,501)	(552,536)
2022	(213,727)	(208,770)	(422,497)
2023	0	78,280	78,280
Thereafter	0	19,571	19,571
Total	(\$323,218)	(\$257,252)	(\$580,470)

***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, 2017, 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 valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 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 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality

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improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 16.82 percent for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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.

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***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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<b>County's proportionate share of the net pension liability (asset)</b>			
OPERS Traditional Plan	\$4,302,111	\$2,422,708	\$855,851

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016 valuation, rates of death were 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 for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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 expected. 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, 2017, 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
Total	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** For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$14,148,233	\$10,206,031	\$6,990,802

**Note 14 – Postemployment Benefits**

See Note 13 for a description of the net OPEB liability

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

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 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.

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. 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. When funding is approved by OPERS Board of Trustees, 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 2018, 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 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$90 for 2018. Of this amount, \$7 is reported as an intergovernmental payable.

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

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 a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

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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. 75.

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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the 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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, 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.

The City's contractually required contribution to OP&F was \$4,371 for 2018. Of this amount, \$1,359 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was

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determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.014420%	0.1662910%	
Prior Measurement Date	<u>0.012400%</u>	<u>0.1698210%</u>	
Change in Proportionate Share	<u>0.0020200%</u>	<u>-0.0035300%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,565,906	\$9,421,814	\$10,987,720
OPEB Expense	\$197,332	\$725,539	\$922,871

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$1,220	\$0	\$1,220
Changes of assumptions	114,015	919,369	1,033,384
Changes in proportion and differences between City contributions and proportionate share of contributions	138,033	0	138,033
City contributions subsequent to the measurement date	<u>90</u>	<u>20,322</u>	<u>20,412</u>
Total Deferred Outflows of Resources	<u>\$253,358</u>	<u>\$939,691</u>	<u>\$1,193,049</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$47,520	\$47,520
Net difference between projected and actual earnings on OPEB plan investments	116,650	62,019	178,669
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>157,967</u>	<u>157,967</u>
Total Deferred Inflows of Resources	<u>\$116,650</u>	<u>\$267,506</u>	<u>\$384,156</u>

\$20,412 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2019	\$91,926	\$88,864	\$180,790
2020	91,926	88,864	180,790
2021	(18,070)	88,864	70,794
2022	(29,164)	88,864	59,700
2023	0	104,369	104,369
Thereafter	0	192,038	192,038
Total	<u>\$136,618</u>	<u>\$651,863</u>	<u>\$788,481</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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal

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to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$2,080,373	\$1,565,906	\$1,149,707

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,498,238	\$1,565,906	\$1,635,805

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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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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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.



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Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

**Discount Rate** The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City’s proportionate share of the net OPEB liability	\$11,777,383	\$9,421,814	\$7,609,293

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

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Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$7,319,035	\$9,421,814	\$12,255,651

***Changes between Measurement Date and Report Date***

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

**Note 15 - Long-term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Governmental Activities:</b>			
<i>General Obligation Bonds:</i>			
2004 Various Purpose Bonds	2.5-5%	\$60,000	2031
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
<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

(continued)

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Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Governmental Activities (continued):</b>			
<i>Capital Leases:</i>			
Loader	3.30 %	\$139,853	2022
Ambulance 1	3.04	196,519	2021
Ambulance 2	3.24	199,545	2020
Police Tasers	0.00	48,063	2022
<b>Business-Type Activities:</b>			
<i>OPWC Loans:</i>			
Robin/Forest/King Drive Pump Stations	0 %	\$50,000	2030
Quentin Road Pump Station	0	100,292	2032

Changes in long-term obligations of the City during 2018 were as follows:

	Balance 12/31/2017	Increase	Decrease	Balance 12/31/2018	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2004 Various Purpose Bonds - Term	\$60,000	\$0	\$0	\$60,000	\$0
2011 Tax Exempt Various Purpose Refunding Bonds:					
Serial	5,310,000	0	610,000	4,700,000	625,000
Term	1,375,000	0	0	1,375,000	0
Total 2011 Various Purpose Bonds	6,685,000	0	610,000	6,075,000	625,000
2013 Capital Facilities Refunding Bonds:					
Serial	1,225,000	0	190,000	1,035,000	200,000
Term	2,075,000	0	0	2,075,000	0
Discount	(19,897)	0	(1,146)	(18,751)	0
Total 2013 Capital Facilities Refunding Bonds	3,280,103	0	188,854	3,091,249	200,000
2014 Capital Facilities Bonds - Serial	120,000	0	60,000	60,000	60,000
<i>Total General Obligation Bonds</i>	10,145,103	0	858,854	9,286,249	885,000
<b>OPWC Loans:</b>					
North Parkway Road and Sewer	3,750	0	2,500	1,250	1,250
Parkland Drive Road and Sewer	4,360	0	1,245	3,115	1,247
Stevens Boulevard Road and Sewer	8,599	0	2,457	6,142	2,457
East Overlook Road, Storm and Sanitary Sewer	7,877	0	1,313	6,564	1,313
Roberts Road Improvements	56,250	0	7,500	48,750	7,500
Plymouth Road and Sewer	24,735	0	2,910	21,825	2,910
Roberts Road Improvements-Phase 2	67,556	0	4,825	62,731	4,825
Edison and Mondamin Storm Sewer	27,295	0	1,882	25,413	1,882
<i>Total OPWC Loans</i>	200,422	0	24,632	175,790	23,384
<b>Capital Leases:</b>					
Loader	121,206	0	27,971	93,235	27,971
Ambulance 1	158,355	0	37,809	120,546	38,972
Ambulance 2	199,545	0	64,406	135,139	66,492
Police Tasers	0	48,063	8,563	39,500	9,875
<i>Total Capital Leases</i>	\$479,106	\$48,063	\$138,749	\$388,420	\$143,310

(continued)

**City of Eastlake, Ohio**  
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	Balance 12/31/2017	Increase	Decrease	Balance 12/31/2018	Amounts Due in One Year
<b>Governmental Activities (continued):</b>					
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	\$1,240,041	\$170,633	\$226,532	\$1,184,142	\$232,711
Workers' Compensation Liability	28,283	8,447	28,283	8,447	8,447
<i>Total Other Long-Term Obligations</i>	<u>1,268,324</u>	<u>179,080</u>	<u>254,815</u>	<u>1,192,589</u>	<u>241,158</u>
<b>Net Pension Liability:</b>					
OPERS	2,914,639	0	903,790	2,010,849	0
OPF	10,756,292	0	550,261	10,206,031	0
<i>Total Net Pension Liability</i>	<u>13,670,931</u>	<u>0</u>	<u>1,454,051</u>	<u>12,216,880</u>	<u>0</u>
<b>Net OPEB Liability:</b>					
OPERS	1,039,527	260,175	0	1,299,702	0
OPF	8,061,021	1,360,793	0	9,421,814	0
<i>Total Net OPEB Liability</i>	<u>9,100,548</u>	<u>1,620,968</u>	<u>0</u>	<u>10,721,516</u>	<u>0</u>
<b>Total Governmental Activities</b>	<u>\$34,864,434</u>	<u>\$1,848,111</u>	<u>\$2,731,101</u>	<u>\$33,981,444</u>	<u>\$1,292,852</u>
	Balance 12/31/2017	Increase	Decrease	Balance 12/31/2018	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<b>OPWC Loans:</b>					
Robin/Forest/King Drive Pump Stations	\$31,250	\$0	\$2,500	\$28,750	\$2,500
Quentin Road Pump Station	75,217	0	5,015	70,202	5,015
<i>Total OPWC Loans</i>	<u>106,467</u>	<u>0</u>	<u>7,515</u>	<u>98,952</u>	<u>7,515</u>
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	53,593	13,369	43,960	23,002	12,269
<b>Net Pension Liability:</b>					
OPERS	596,974	0	185,115	411,859	0
<b>Net OPEB Liability:</b>					
OPERS	212,915	53,289	0	266,204	0
<b>Total Business-Type Activities</b>	<u>\$969,949</u>	<u>\$66,658</u>	<u>\$236,590</u>	<u>\$800,017</u>	<u>\$19,784</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.

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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, 2018 is \$6,010,000.

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, 2018 is \$4,425,000.

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

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

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

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

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

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**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.

**OWDA Loan** In 2018, the City signed a loan agreement with the Ohio Water Development Authority in the amount of \$4,411,248 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. As of December 31, 2018 no disbursements have been made on the loan.

**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, permissive motor vehicle license special revenue fund, and fire levy capital projects 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 road improvement capital projects fund; and the sanitary sewer enterprise fund.

**Workers' Compensation, Net Pension Liability and Net OPEB Liability** The workers' compensation liability will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds: general, street maintenance, senior citizens, road improvement, sanitary sewer, police pension and fire pension. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

The City's overall legal debt margin was \$39,996,385 with an unvoted debt margin of \$16,237,270 at December 31, 2018.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2018, were as follows:

<b>Governmental Activities</b>					
General Obligation Bonds					
Year	Serial		Term		OPWC Loans
	Principal	Interest	Principal	Interest	
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	20,280
2022	210,000	96,900	675,000	140,495	18,429
2023	215,000	90,600	700,000	119,570	18,430
2024-2028	2,785,000	233,002	1,280,000	343,831	52,060
2029-2031	0	0	855,000	75,688	21,074
Total	<u>\$5,795,000</u>	<u>\$1,269,994</u>	<u>\$3,510,000</u>	<u>\$688,584</u>	<u>\$175,790</u>

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<b>Business-Type Activities</b>	
OPWC Loans	
Year	Principal
2019	\$7,515
2020	7,515
2021	7,515
2022	7,515
2023	7,515
2024-2028	37,575
2029-2033	23,802
Total	\$98,952

**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 – Capital Leases**

In prior years, the City entered into capitalized leases for a loader, ambulances and police tasers. These leases meet the criteria for a capital lease and have been recorded on the governmental-wide statements. The original amount capitalized for the capital leases and the book value as of December 31, 2018 follows:

	Governmental Activities
Equipment	\$187,916
Vehicles	396,064
Leased property, total value	583,980
Less: Accumulated Depreciation	(116,797)
Leased property, net of depreciation	\$467,183

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2018.

	Governmental Activities
2019	\$152,819
2020	152,938
2021	82,066
2022	19,870
Total minimum lease payments	407,693
Less: amount representing interest	(19,273)
Present value of minimum lease payments	\$388,420

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**Note 18 - Jointly Governed Organization**

***Northeast Ohio Public Energy Council***

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 200 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time 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 2018, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio, 44139 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

**Note 19 - Shared Risk Pool**

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

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

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

In 2018, the City of Eastlake paid \$151,159 in premiums from the general fund and special revenue funds, which represents 6.53 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.



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**Note 20 - Related Organization**

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

**Note 21 – 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 \$1,746,921 to the City of Willoughby for the joint sewer treatment facility in 2018 which is accounted for in the City's sewer enterprise fund.

**Note 22 - 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:

<b>Governmental Funds:</b>	
General	\$436,815
Road Improvements	42,627
Other Governmental Funds	<u>35,858</u>
<i>Total Governmental Funds</i>	515,300
<b>Proprietary Fund:</b>	
Sanitary Sewer	28,311
Storm Water Management	<u>37,006</u>
<i>Total Proprietary Funds</i>	<u>65,317</u>
<i>Total Encumbrances</i>	<u><u>\$580,617</u></u>

## **Required Supplementary Information**

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.015443%	0.015464%	0.016015%	0.019401%	0.019401%
City's Proportionate Share of the Net Pension Liability	\$2,422,708	\$3,511,613	\$2,773,999	\$2,339,977	\$2,287,125
City's Covered Payroll	\$2,040,854	\$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	118.71%	175.67%	139.17%	98.38%	90.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	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.

See accompanying notes to the required supplementary information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.014420%	0.012400%
City's Proportionate Share of the Net OPEB Liability	\$1,565,906	\$1,252,442
City's Covered Payroll	\$2,042,804	\$1,999,008
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.65%	62.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

See accompanying notes to the required supplementary information

**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 Five Years (1)*

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1662910%	0.1698210%	0.1735800%	0.1820268%	0.1820270%
City's Proportionate Share of the Net Pension Liability	\$10,206,031	\$10,756,292	\$11,166,524	\$9,429,747	\$8,865,276
City's Covered Payroll	\$3,321,193	\$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	307.30%	298.91%	298.98%	264.38%	261.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	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.

See accompanying notes to the required supplementary information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.1662910%	0.1698210%
City's Proportionate Share of the Net OPEB Liability	\$9,421,814	\$8,061,021
City's Covered Payroll	\$3,321,193	\$3,598,541
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	283.69%	224.01%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

See accompanying notes to the required supplementary information

**City of Eastlake, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Six Years (1) (2)*

	2018	2017	2016
<b>Net Pension Liability - Traditional Plan</b>			
Contractually Required Contribution	\$318,498	\$265,311	\$239,881
Contributions in Relation to the Contractually Required Contribution	<u>(318,498)</u>	<u>(265,311)</u>	<u>(239,881)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,274,986	\$2,040,854	\$1,999,008
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
<b>Net OPEB Liability - OPEB Plan (2)</b>			
Contractually Required Contribution	\$90	\$20,486	\$39,980
Contributions in Relation to the Contractually Required Contribution	<u>(90)</u>	<u>(20,486)</u>	<u>(39,980)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$2,277,236	\$2,042,804	\$1,999,008
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>1.00%</u>	<u>2.00%</u>

(1) Information prior to 2013 is not available.

(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(3) The OPEB plan includes the members from the traditional plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2015	2014	2013
\$239,190	\$285,435	\$327,942
(239,190)	(285,435)	(327,942)
\$0	\$0	\$0
\$1,993,250	\$2,378,625	\$2,522,631
12.00%	12.00%	13.00%

See accompanying notes to the required supplementary information



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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$874,338	\$712,177	\$772,472	\$797,325
Contributions in Relation to the Contractually Required Contribution	<u>(874,338)</u>	<u>(712,177)</u>	<u>(772,472)</u>	<u>(797,325)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$4,064,518	\$3,321,193	\$3,598,541	\$3,734,429
Pension Contributions as a Percentage of Covered Payroll	<u>21.51%</u>	<u>21.44%</u>	<u>21.47%</u>	<u>21.35%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$4,371	\$3,561	\$3,862	\$3,987
Contributions in Relation to the Contractually Required Contribution	<u>(4,371)</u>	<u>(3,561)</u>	<u>(3,862)</u>	<u>(3,987)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.19%</u>	<u>0.16%</u>	<u>0.18%</u>	<u>0.19%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.70%</u>	<u>21.60%</u>	<u>21.65%</u>	<u>21.54%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$761,770	\$612,833	\$527,697	\$645,508	\$643,005	\$669,622
<u>(761,770)</u>	<u>(612,833)</u>	<u>(527,697)</u>	<u>(645,508)</u>	<u>(643,005)</u>	<u>(669,622)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,566,749	\$3,396,064	\$3,542,262	\$4,356,623	\$4,343,805	\$4,559,814
<u>21.36%</u>	<u>18.05%</u>	<u>14.90%</u>	<u>14.82%</u>	<u>14.80%</u>	<u>14.69%</u>
\$3,809	\$147,000	\$224,180	\$242,901	\$252,074	\$240,756
<u>(3,809)</u>	<u>(147,000)</u>	<u>(224,180)</u>	<u>(242,901)</u>	<u>(252,074)</u>	<u>(240,756)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.20%</u>	<u>8.04%</u>	<u>12.46%</u>	<u>14.09%</u>	<u>14.44%</u>	<u>14.32%</u>
<u>21.56%</u>	<u>26.09%</u>	<u>27.36%</u>	<u>28.91%</u>	<u>29.24%</u>	<u>29.01%</u>

See accompanying notes to the required supplementary information

**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2018

**Changes in Assumptions – OPERS Pension**

Amounts reported beginning in 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:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 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 beginning in 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**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2018

**Changes in Assumptions – OP&F Pension**

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2018*

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**Changes in Assumptions – OPERS OPEB**

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

**Changes in Assumptions – OP&F OPEB**

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.



