

**OHIO AUDITOR OF STATE
KEITH FABER**



**City of Eastlake
Lake County, Ohio**

**General Purpose External Financial Statements
For the Year Ended December 31, 2020**

Local Government Services Section

City of Eastlake, Ohio
Basic Financial Statements
For the Year Ended December 31, 2020
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OHIO AUDITOR OF STATE KEITH FABER



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Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of the City of Eastlake as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

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

KEITH FABER
Auditor of State

A handwritten signature in blue ink that reads "David B. Thompson".

David B. Thompson
Chief of Local Government Services

May 24, 2021

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. 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 2020 are as follows:

- In 2020, the City's governmental fund balance increased by \$2,241,887. The general fund increased by \$1,279,371.
- The City continues to focus on the maintenance and repair of streets. During 2020, the City completed significant work to Willowick Drive and continued with improvements to Stevens Boulevard and Stevens Pavement.
- In 2020, the City continued work on a \$3.5 million project for storm sewer and pump station improvements to the Galalina Area Pump Station as well as a \$6 million Waverly Road sewer repair project. The City also has several projects at Willoway beach, Plymouth Drive, Quentin Road, North Parkway and Wicklow, totaling \$1 million.

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 2020?" 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.

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

The statement of activities presents information showing how the 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 38 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 and coronavirus relief special revenue funds, 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.

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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.

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 2020 compared to 2019.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020*	2019*
Assets						
Current and Other Assets	\$21,427,794	\$18,623,008	\$5,479,731	\$5,335,890	\$26,907,525	\$23,958,898
Capital Assets, Net	38,568,602	34,125,325	12,465,853	10,633,287	51,034,455	44,758,612
Total Assets	59,996,396	52,748,333	17,945,584	15,969,177	77,941,980	68,717,510
Deferred Outflows of Resources						
Deferred Charge on Refunding	469,220	369,986	0	0	469,220	369,986
Asset Retirement Obligation	14,439	14,819	642,500	771,000	656,939	785,819
Pension	2,568,760	5,408,013	89,086	68,624	2,561,575	5,272,703
OPEB	1,650,947	1,508,998	52,868	20,274	1,642,226	1,407,916
<i>Total Deferred Outflows of Resources</i>	<i>4,703,366</i>	<i>7,301,816</i>	<i>784,454</i>	<i>859,898</i>	<i>5,329,960</i>	<i>7,836,424</i>
Liabilities						
Current Liabilities	1,406,068	1,309,220	986,682	2,702,746	2,392,750	4,011,966
Long-Term Liabilities						
Due Within One Year	1,547,442	1,271,923	29,387	27,249	1,576,829	1,299,172
Due in More Than One Year	8,784,757	8,941,132	8,173,650	4,802,890	16,958,407	13,744,022
Net Pension Liability	14,788,574	18,329,325	242,031	230,648	15,030,605	18,559,973
Net OPEB Liability	3,789,765	3,500,543	157,524	102,345	3,947,289	3,602,888
<i>Total Liabilities</i>	<i>30,316,606</i>	<i>33,352,143</i>	<i>9,589,274</i>	<i>7,865,878</i>	<i>39,905,880</i>	<i>41,218,021</i>
Deferred Inflows of Resources						
Property Tax	4,714,601	4,742,569	0	0	4,714,601	4,742,569
Pension	2,079,752	436,573	147,610	207,490	2,131,091	440,129
OPEB	1,031,959	612,605	84,017	121,634	1,054,387	612,883
<i>Total Deferred Inflows of Resources</i>	<i>7,826,312</i>	<i>5,791,747</i>	<i>231,627</i>	<i>329,124</i>	<i>7,900,079</i>	<i>5,795,581</i>
Net Position						
Net Investment in Capital Assets	29,784,972	25,330,241	6,082,654	5,831,312	35,867,626	31,161,553
Restricted for:						
Capital Projects	1,516,979	2,094,078	0	0	1,516,979	2,094,078
Debt Service	493,536	504,100	0	0	493,536	504,100
Other Purposes	3,583,345	2,158,822	0	0	3,583,345	2,158,822
Unrestricted (Deficit)	(8,821,988)	(9,180,982)	2,826,483	2,802,761	(5,995,505)	(6,378,221)
Total Net Position	\$26,556,844	\$20,906,259	\$8,909,137	\$8,634,073	\$35,465,981	\$29,540,332

* 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.

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The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2020. 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.

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 2019. This was largely due to increases in operating grants and contributions. Total net position for business-type activities saw an increase in capital grants and contributions outpacing the expenses.

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	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$1,491,481	\$1,780,013	\$2,760,804	\$2,675,959	\$4,252,285	\$4,455,972
Operating Grants and Contributions	4,235,817	1,548,767	598,200	3,092	4,834,017	1,551,859
Capital Grants and Interest	557,168	440,179	0	0	557,168	440,179
Total Program Revenues	<u>6,284,466</u>	<u>3,768,959</u>	<u>3,359,004</u>	<u>2,679,051</u>	<u>9,643,470</u>	<u>6,448,010</u>

(continued)

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Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues (continued)						
General Revenues						
Property Taxes	\$5,139,261	\$5,049,411	\$0	\$0	\$5,139,261	\$5,049,411
Municipal Income Taxes	7,933,806	8,353,461	0	0	7,933,806	8,353,461
Hotel Taxes	30,273	66,530	0	0	30,273	66,530
Permissive MVL Taxes	113,274	136,143	0	0	113,274	136,143
Grants and Entitlements	1,994,686	1,364,071	0	0	1,994,686	1,364,071
Franchise Taxes	259,470	214,623	0	0	259,470	214,623
Interest	74,133	239,131	0	0	74,133	239,131
Other	46,281	416,424	0	0	46,281	416,424
Total General Revenues	<u>15,591,184</u>	<u>15,839,794</u>	<u>0</u>	<u>0</u>	<u>15,591,184</u>	<u>15,839,794</u>
<i>Total Revenues</i>	<u>21,875,650</u>	<u>19,608,753</u>	<u>3,359,004</u>	<u>2,679,051</u>	<u>25,234,654</u>	<u>22,287,804</u>
Program Expenses						
General Government	4,040,185	3,788,171	0	0	4,040,185	3,788,171
Security of Persons and Property	6,195,453	547,413	0	0	6,195,453	547,413
Public Health Services	222,377	172,245	0	0	222,377	172,245
Transportation	3,286,553	2,728,629	0	0	3,286,553	2,728,629
Community Environment	975,971	304,451	0	0	975,971	304,451
Basic Utility Services	415,760	343,414	0	0	415,760	343,414
Leisure Time Activities	838,949	756,102	0	0	838,949	756,102
Interest and Fiscal Charges	252,944	349,427	0	0	252,944	349,427
Sanitary Sewer	0	0	2,737,536	1,987,098	2,737,536	1,987,098
Storm Water	0	0	343,277	201,700	343,277	201,700
<i>Total Expenses</i>	<u>16,228,192</u>	<u>8,989,852</u>	<u>3,080,813</u>	<u>2,188,798</u>	<u>19,309,005</u>	<u>11,178,650</u>
Increase (Decrease) in Net Position						
Before Transfers	5,647,458	10,618,901	278,191	490,253	5,925,649	11,109,154
Transfers	<u>3,127</u>	<u>4,692</u>	<u>(3,127)</u>	<u>(4,692)</u>	<u>0</u>	<u>0</u>
Change in Net Position	5,650,585	10,623,593	275,064	485,561	5,925,649	11,109,154
Net Position Beginning of Year	<u>20,906,259</u>	<u>10,282,666</u>	<u>8,634,073</u>	<u>8,148,512</u>	<u>29,540,332</u>	<u>18,431,178</u>
Net Position End of Year	<u>\$26,556,844</u>	<u>\$20,906,259</u>	<u>\$8,909,137</u>	<u>\$8,634,073</u>	<u>\$35,465,981</u>	<u>\$29,540,332</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. On November 3, 2020, voters

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renewed the 3 mill road levy for an additional 5 years with collections starting in 2021. 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 2020, property tax revenue collections remained consistent with the prior year. Municipal income taxes saw a decrease from 2019 largely due to the coronavirus pandemic and the effect it has had on the local economy.

Program expenses increased from 2019 levels. The most substantial increase was in security of persons and property due to changes in benefit terms with the Ohio Police and Fire Pension (OP&F) 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 increasing from (\$7,648,514) in 2019 to \$183,078 for 2020.

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

	2020		2019	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$4,040,185	(\$3,121,075)	\$3,788,171	(\$3,253,084)
Security of Persons and Property	6,195,453	(3,654,597)	547,413	541,196
Public Health Services	222,377	(191,834)	172,245	(142,416)
Transportation	3,286,553	(1,894,797)	2,728,629	(1,197,725)
Community Environment	975,971	(21,264)	304,451	(249,748)
Basic Utility Services	415,760	(415,758)	343,414	67,962
Leisure Time Activities	838,949	(391,457)	756,102	(538,401)
Interest and Fiscal Charges	252,944	(252,944)	349,427	(349,427)
Total	\$16,228,192	(\$9,943,726)	\$8,989,852	(\$5,121,643)

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 2020 due to capital grants the City applied for and received for storm sewer improvements. The expenses increased due to an increase in sewer projects the City is currently 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.

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The City's major governmental funds are the general fund, fire and EMS levy and coronavirus relief special revenue funds, 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 saw a decrease in collections from 2019. 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 a decrease in expenditures for the year. The coronavirus relief fund is showing an increase in fund balance due to computer software support services prepaid in 2020. The general bond retirement fund saw a decrease in fund balance as a result of refunding prior bonds for a lower interest rate. The road improvement capital projects fund saw a decrease in fund balance as property tax revenues and intergovernmental revenues were lower than the prior year. The City also completed significant work on Willowick Drive as well as continued improvements to Stevens Boulevard.

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 2020, 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 grant reimbursed expenditures and emergency construction work. 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 municipal income taxes, charges for services, fees, licenses and permits, franchise taxes 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 2020 balances of capital assets as compared to 2019.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$7,792,984	\$7,442,984	\$75,556	\$75,556	\$7,868,540	\$7,518,540
Construction in Progress	2,339,377	1,373,964	1,118,812	6,427,549	3,458,189	7,801,513
Land Improvements	11,182,352	11,502,910	0	0	11,182,352	11,502,910
Buildings and Improvements	4,094,997	3,845,008	8,822,140	1,595,391	12,917,137	5,440,399
Machinery and Equipment	2,336,242	1,636,264	670,230	692,178	3,006,472	2,328,442
Vehicles	3,507,307	1,878,767	126,371	131,269	3,633,678	2,010,036
Infrastructure	7,315,343	6,445,428	1,652,744	1,711,344	8,968,087	8,156,772
Total Capital Assets	\$38,568,602	\$34,125,325	\$12,465,853	\$10,633,287	\$51,034,455	\$44,758,612

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For 2020, the primary additions for governmental activities included construction in progress that includes Stevens Boulevard, Stevens Pavement, improvements to North Parkway, Wicklow, Willoway beach shoreline, Jakse pool and roof repairs. Various building improvements throughout the City were in response to the pandemic. The City also purchased two F150 trucks for the road department, two Chevy Tahoes and four Dodge Durangos for the police department as well as a new ambulance and two fire trucks for the fire department. The fire engines are being financed through a lease agreement. These additions were offset by another year of depreciation.

The City is engaged in large storm water projects at Plymouth Drive and 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, 2020.

Table 5
 Outstanding Long-Term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$7,745,000	\$8,402,455	\$0	\$0	\$7,745,000	\$8,402,455
OPWC Loans	219,859	230,282	91,555	87,680	311,414	317,962
OWDA Loans	0	0	5,505,119	4,705,050	5,505,119	4,705,050
Capital Leases	948,873	245,110	0	0	948,873	245,110
Compensated Absences	1,331,968	1,333,958	36,363	37,409	1,368,331	1,371,367
Workers' Compensation Liability	0	1,250	0	0	0	1,250
Asset Retirement Obligation	86,499	86,499	2,570,000	2,570,000	2,656,499	2,656,499
Net Pension Liability	14,788,574	18,329,325	242,031	230,648	15,030,605	18,559,973
Net OPEB Liability	3,789,765	3,500,543	157,524	102,345	3,947,289	3,602,888
Total	\$28,910,538	\$32,129,422	\$8,602,592	\$7,733,132	\$37,513,130	\$39,862,554

At December 31, 2020, the general obligation bonds outstanding consist of the 2020 general obligation refunding bonds. During 2020, the City was able to fully retire 2004 various purpose term bonds and refinance their 2011 tax exempt and 2013 taxable bonds for a lower interest rate. The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital project revenues as well as storm and sewer improvement capital contributions.

In addition to the debt discussed above, the City's long-term obligations also include OWDA loans, capital leases, compensated absences, asset retirement obligation 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.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Contacting the City of Eastlake's Financial Management

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

City of Eastlake, Ohio
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$11,879,264	\$4,259,297	\$16,138,561
Accounts Receivable	318,840	456,344	775,184
Intergovernmental Receivable	1,295,908	738,630	2,034,538
Municipal Income Taxes Receivable	2,244,992	0	2,244,992
Hotel Taxes Receivable	6,296	0	6,296
Permissive Motor Vehicle Taxes Receivable	49,391	0	49,391
Prepaid Items	230,561	0	230,561
Materials and Supplies Inventory	210,910	1,156	212,066
Property Taxes Receivable	5,191,632	0	5,191,632
Special Assessments Receivable	0	24,304	24,304
Nondepreciable Capital Assets	10,132,361	1,194,368	11,326,729
Depreciable Capital Assets, Net	28,436,241	11,271,485	39,707,726
<i>Total Assets</i>	<u>59,996,396</u>	<u>17,945,584</u>	<u>77,941,980</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	469,220	0	469,220
Asset Retirement Obligation	14,439	642,500	656,939
Pension	2,568,760	89,086	2,561,575
OPEB	1,650,947	52,868	1,642,226
<i>Total Deferred Outflows of Resources</i>	<u>4,703,366</u>	<u>784,454</u>	<u>5,329,960</u>
Liabilities			
Accounts Payable	353,940	22,831	376,771
Contracts Payable	426,214	748,343	1,174,557
Accrued Wages	315,431	6,430	321,861
Retainage Payable	11,206	38,182	49,388
Matured Compensated Absences Payable	33,596	0	33,596
Intergovernmental Payable	90,289	170,896	261,185
Deposits Held Payable	148,603	0	148,603
Accrued Interest Payable	26,789	0	26,789
Long-Term Liabilities:			
Due Within One Year	1,547,442	29,387	1,576,829
Due In More Than One Year	8,784,757	8,173,650	16,958,407
Net Pension Liability (See Note 13)	14,788,574	242,031	15,030,605
Net OPEB Liability (See Note 14)	3,789,765	157,524	3,947,289
<i>Total Liabilities</i>	<u>30,316,606</u>	<u>9,589,274</u>	<u>39,905,880</u>
Deferred Inflows of Resources			
Property Taxes	4,714,601	0	4,714,601
Pension	2,079,752	147,610	2,131,091
OPEB	1,031,959	84,017	1,054,387
<i>Total Deferred Inflows of Resources</i>	<u>7,826,312</u>	<u>231,627</u>	<u>7,900,079</u>
Net Position			
Net Investment in Capital Assets	29,784,972	6,082,654	35,867,626
Restricted for:			
Capital Projects	1,516,979	0	1,516,979
Debt Service	493,536	0	493,536
Other Purposes	3,583,345	0	3,583,345
Unrestricted (Deficit)	(8,821,988)	2,826,483	(5,995,505)
<i>Total Net Position</i>	<u>\$26,556,844</u>	<u>\$8,909,137</u>	<u>\$35,465,981</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, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$4,040,185	\$499,913	\$419,197	\$0
Security of Persons and Property	6,195,453	674,669	1,850,551	15,636
Public Health Services	222,377	30,543	0	0
Transportation	3,286,553	73,950	1,023,603	294,203
Community Environment	975,971	50,656	656,722	247,329
Basic Utility Services	415,760	2	0	0
Leisure Time Activities	838,949	161,748	285,744	0
Interest and Fiscal Charges	252,944	0	0	0
<i>Total Governmental Activities</i>	<u>16,228,192</u>	<u>1,491,481</u>	<u>4,235,817</u>	<u>557,168</u>
Business-Type Activities:				
Sanitary Sewer	2,737,536	2,424,271	0	1,674,615
Storm Water	1,770,892	336,533	0	351,200
<i>Total Business-Type Activities</i>	<u>4,508,428</u>	<u>2,760,804</u>	<u>0</u>	<u>2,025,815</u>
<i>Total</i>	<u>\$20,736,620</u>	<u>\$4,252,285</u>	<u>\$4,235,817</u>	<u>\$2,582,983</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
(\$3,121,075)	\$0	(\$3,121,075)
(3,654,597)	0	(3,654,597)
(191,834)	0	(191,834)
(1,894,797)	0	(1,894,797)
(21,264)	0	(21,264)
(415,758)	0	(415,758)
(391,457)	0	(391,457)
(252,944)	0	(252,944)
(9,943,726)	0	(9,943,726)
0	1,361,350	1,361,350
0	(1,083,159)	(1,083,159)
0	278,191	278,191
(9,943,726)	278,191	(9,665,535)
1,402,031	0	1,402,031
192,299	0	192,299
137,356	0	137,356
137,357	0	137,357
2,298,261	0	2,298,261
971,957	0	971,957
7,933,806	0	7,933,806
30,273	0	30,273
113,274	0	113,274
1,994,686	0	1,994,686
259,470	0	259,470
74,133	0	74,133
46,281	0	46,281
15,591,184	0	15,591,184
3,127	(3,127)	0
15,594,311	(3,127)	15,591,184
5,650,585	275,064	5,925,649
20,906,259	8,634,073	29,540,332
\$26,556,844	\$8,909,137	\$35,465,981

City of Eastlake, Ohio

Balance Sheet

Governmental Funds

December 31, 2020

	General	Fire and EMS Levy	Coronavirus Relief	General Bond Retirement	Road Improvement
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,106,571	\$1,212,729	\$0	\$492,314	\$932,912
Accounts Receivable	318,840	0	0	0	0
Intergovernmental Receivable	621,272	25,957	0	10,143	133,289
Municipal Income Taxes Receivable	2,244,992	0	0	0	0
Hotel Taxes Receivable	0	0	0	0	0
Permissive Motor Vehicle Taxes Receivable	0	0	0	0	0
Prepaid Items	224,424	0	5,637	0	0
Materials and Supplies Inventory	8,554	0	0	0	181,814
Property Taxes Receivable	1,413,225	2,144,517	0	194,809	980,025
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents in Segregated Accounts	156,322	0	0	0	0
Total Assets	\$12,094,200	\$3,383,203	\$5,637	\$697,266	\$2,228,040
Liabilities					
Accounts Payable	\$301,823	\$0	\$0	\$0	\$13,125
Contracts Payable	269,448	0	0	0	156,766
Accrued Wages	285,635	0	0	0	6,758
Retainage Payable	11,206	0	0	0	0
Matured Compensated Absences Payable	33,596	0	0	0	0
Intergovernmental Payable	73,539	0	0	0	1,014
Deposits Held Payable	148,603	0	0	0	0
Total Liabilities	1,123,850	0	0	0	177,663
Deferred Inflows of Resources					
Property Taxes	1,285,280	1,953,381	0	176,941	882,804
Unavailable Revenue	1,722,481	217,093	0	28,011	134,853
Total Deferred Inflows of Resources	3,007,761	2,170,474	0	204,952	1,017,657
Fund Balances					
Nonspendable	240,697	0	5,637	0	181,814
Restricted	0	1,212,729	0	492,314	850,906
Committed	0	0	0	0	0
Assigned	2,964,288	0	0	0	0
Unassigned	4,757,604	0	0	0	0
Total Fund Balances	7,962,589	1,212,729	5,637	492,314	1,032,720
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$12,094,200	\$3,383,203	\$5,637	\$697,266	\$2,228,040

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, 2020*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Funds Balances	\$12,839,640
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$1,978,416	\$11,722,942	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,568,602
0	318,840		
505,247	1,295,908	Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds:	
0	2,244,992	Delinquent Property Taxes	477,031
6,296	6,296	Intergovernmental	788,059
49,391	49,391	Municipal Income Taxes	988,915
500	230,561	Charges for Services	207,582
20,542	210,910	Fees, Licenses and Permits	2,160
459,056	5,191,632	Hotel Taxes	1,796
		Permissive Sales Tax	28,731
0	156,322	Total	2,494,274
<u>\$3,019,448</u>	<u>\$21,427,794</u>	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(26,789)
\$38,992	\$353,940	Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	469,220
0	426,214		
23,038	315,431	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
0	11,206	General Obligation Bonds	(7,745,000)
0	33,596	OPWC Loans Payable	(219,859)
15,736	90,289	Capital Leases Payable	(948,873)
0	148,603	Compensated Absences Payable	(1,331,968)
77,766	1,379,279	Deferred Outflows - Asset Retirement	14,439
		Asset Retirement Obligation	(86,499)
416,195	4,714,601	Total	(10,317,760)
391,836	2,494,274		
808,031	7,208,875	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:	
21,042	449,190	Deferred Outflows - Pension	2,568,760
2,050,698	4,606,647	Net Pension Liability	(14,788,574)
61,911	61,911	Deferred Inflows - Pension	(2,079,752)
0	2,964,288	Deferred Outflows - OPEB	1,650,947
0	4,757,604	Net OPEB Liability	(3,789,765)
2,133,651	12,839,640	Deferred Inflows - OPEB	(1,031,959)
		Total	(17,470,343)
<u>\$3,019,448</u>	<u>\$21,427,794</u>	<i>Net Position of Governmental Activities</i>	<u>\$26,556,844</u>

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Fire and EMS Levy	Coronavirus Relief	General Bond Retirement	Road Improvement	Other Governmental Funds
Revenues						
Property Taxes	\$1,322,417	\$2,007,814	\$0	\$181,591	\$905,098	\$427,441
Municipal Income Taxes	7,716,272	0	0	0	0	0
Hotel Taxes	0	0	0	0	0	28,477
Permissive Motor Vehicle Taxes	0	0	0	0	0	131,097
Intergovernmental	2,037,656	51,913	2,791,855	20,285	294,362	1,736,208
Charges for Services	732,863	0	0	0	0	66,316
Fees, Licenses and Permits	496,267	0	0	0	0	3,855
Franchise Taxes	259,470	0	0	0	0	0
Fines and Forfeitures	125,183	0	0	0	0	2,946
Interest	65,889	0	1,221	0	0	7,023
Rentals	0	0	0	0	0	24,206
Contributions and Donations	0	0	0	0	0	19,406
Other	46,281	0	0	0	0	0
<i>Total Revenues</i>	<u>12,802,298</u>	<u>2,059,727</u>	<u>2,793,076</u>	<u>201,876</u>	<u>1,199,460</u>	<u>2,446,975</u>
Expenditures						
Current:						
General Government	3,636,835	0	396,355	2,026	0	9,606
Security of Persons and Property	4,899,043	1,281,302	1,537,745	0	0	315,163
Public Health Services	222,377	0	0	0	0	0
Transportation	534,637	0	0	0	1,863,599	787,746
Community Environment	354,339	0	657,009	0	0	352,500
Basic Utility Services	14	0	0	0	0	0
Leisure Time Activities	509,997	0	196,330	0	0	88,550
Capital Outlay	0	0	0	0	55,676	1,112,228
Debt Service:						
Principal Retirement	9,875	0	0	900,000	27,429	309,376
Interest and Fiscal Charges	0	0	0	208,657	0	43,581
Bond Issuance Costs	0	0	0	100,000	0	0
<i>Total Expenditures</i>	<u>10,167,117</u>	<u>1,281,302</u>	<u>2,787,439</u>	<u>1,210,683</u>	<u>1,946,704</u>	<u>3,018,750</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,635,181</u>	<u>778,425</u>	<u>5,637</u>	<u>(1,008,807)</u>	<u>(747,244)</u>	<u>(571,775)</u>
Other Financing Sources (Uses)						
General Obligation Refunding Bonds Issued	0	0	0	7,745,000	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	(7,637,677)	0	0
OPWC Loan Issued	0	0	0	0	17,006	0
Capital Lease Issued	0	0	0	0	0	1,023,014
Transfers In	0	0	0	845,000	253,127	260,810
Transfers Out	(1,355,810)	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,355,810)</u>	<u>0</u>	<u>0</u>	<u>952,323</u>	<u>270,133</u>	<u>1,283,824</u>
<i>Net Change in Fund Balances</i>	1,279,371	778,425	5,637	(56,484)	(477,111)	712,049
<i>Fund Balances Beginning of Year</i>	6,683,218	434,304	0	548,798	1,509,831	1,421,602
<i>Fund Balances End of Year</i>	<u>\$7,962,589</u>	<u>\$1,212,729</u>	<u>\$5,637</u>	<u>\$492,314</u>	<u>\$1,032,720</u>	<u>\$2,133,651</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, 2020*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$2,241,887
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$4,844,361	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:	
7,716,272	Capital Outlays	6,046,918
28,477	Depreciation	(1,507,159)
131,097	Total	4,539,759
6,932,279	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.	(96,482)
799,179	Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds:	
500,122	Delinquent Property Taxes	294,900
259,470	Municipal Income Taxes	217,534
128,129	Intergovernmental	(164,014)
74,133	Charges for Services	37,685
24,206	Fees, Licenses and Permits	2,160
19,406	Hotel Taxes	1,796
46,281	Permissive Sales Tax	(17,823)
21,503,412	Total	372,238
4,044,822	Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
8,033,253	Principal Retirement	1,246,680
222,377	Payment to Refunded Bond Escrow Agent	7,637,677
3,185,982	Total	8,884,357
1,363,848	Other financing sources in the governmental funds increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities:	
14	General Obligation Refunding Bonds Issued	(7,745,000)
794,877	OPWC Loans Issued	(17,006)
1,167,904	Capital Lease Issued	(1,023,014)
1,246,680	Total	(8,785,020)
252,238	Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position:	
100,000	Accrued Interest	35,282
20,411,995	Amortization of Accounting Loss	(34,752)
1,091,417	Amortization of Discount	(1,236)
7,745,000	Total	(706)
(7,637,677)	Amortization of deferred outflows related to the asset retirement obligation is reported as an expense in the statement of activities.	(380)
17,006	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:	
1,023,014	Compensated Absences	1,990
1,358,937	Claims	1,250
(1,355,810)	Total	3,240
1,150,470	Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows.	
2,241,887	Pension	1,248,982
10,597,753	OPEB	21,123
\$12,839,640	Total	1,270,105
	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	(2,190,663)
	OPEB	(587,750)
	Total	(2,778,413)
	<i>Change in Net Position of Governmental Activities</i>	\$5,650,585

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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,327,621	\$1,327,621	\$1,322,417	(\$5,204)
Municipal Income Taxes	7,435,440	7,810,121	7,911,973	101,852
Intergovernmental	1,367,202	2,148,489	2,030,755	(117,734)
Charges for Services	679,336	713,569	722,791	9,222
Fees, Licenses and Permits	465,674	485,671	492,236	6,565
Franchise Taxes	245,437	257,805	261,333	3,528
Fines and Forfeitures	118,336	124,299	126,194	1,895
Interest	62,455	65,602	65,889	287
Other	717,685	34,679	44,781	10,102
<i>Total Revenues</i>	<u>12,419,187</u>	<u>12,967,856</u>	<u>12,978,369</u>	<u>10,513</u>
Expenditures				
Current:				
General Government	4,884,716	4,861,558	4,079,240	782,318
Security of Persons and Property	5,752,770	5,584,960	5,112,596	472,364
Public Health Services	222,377	222,377	222,377	0
Transportation	270,880	818,346	705,477	112,869
Community Environment	530,404	554,120	349,950	204,170
Basic Utility Services	1,500	1,500	14	1,486
Leisure Time Activities	764,876	730,691	631,333	99,358
<i>Total Expenditures</i>	<u>12,427,523</u>	<u>12,773,552</u>	<u>11,100,987</u>	<u>1,672,565</u>
<i>Excess of Revenues Over Expenditures</i>	(8,336)	194,304	1,877,382	1,683,078
Other Financing Uses				
Transfers Out	(1,158,000)	(1,355,810)	(1,355,810)	0
<i>Net Change in Fund Balance</i>	(1,166,336)	(1,161,506)	521,572	1,683,078
<i>Fund Balance Beginning of Year</i>	5,178,262	5,178,262	5,178,262	0
Prior Year Encumbrances Appropriated	388,479	388,479	388,479	0
<i>Fund Balance End of Year</i>	<u>\$4,400,405</u>	<u>\$4,405,235</u>	<u>\$6,088,313</u>	<u>\$1,683,078</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
Coronavirus Relief Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$2,791,855	\$2,791,855	\$2,791,855	\$0
Interest	1,221	1,221	1,221	0
<i>Total Revenues</i>	<u>2,793,076</u>	<u>2,793,076</u>	<u>2,793,076</u>	<u>0</u>
Expenditures				
Current:				
General Government	401,992	401,992	401,992	0
Security of Persons and Property	1,537,745	1,537,745	1,537,745	0
Community Environment	657,009	657,009	657,009	0
Leisure Time Activities	196,330	196,330	196,330	0
<i>Total Expenditures</i>	<u>2,793,076</u>	<u>2,793,076</u>	<u>2,793,076</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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
Fire and EMS Levy Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,973,951	\$1,973,951	\$2,007,814	\$33,863
Intergovernmental	51,037	51,037	51,913	876
<i>Total Revenues</i>	2,024,988	2,024,988	2,059,727	34,739
Expenditures				
Current:				
Security of Persons and Property	2,094,687	2,094,687	1,281,302	813,385
<i>Net Change in Fund Balance</i>	(69,699)	(69,699)	778,425	848,124
<i>Fund Balance Beginning of Year</i>	434,304	434,304	434,304	0
<i>Fund Balance End of Year</i>	<u>\$364,605</u>	<u>\$364,605</u>	<u>\$1,212,729</u>	<u>\$848,124</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2020

	Sanitary Sewer	Storm Water	Total
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$4,186,457	\$72,840	\$4,259,297
Accounts Receivable	456,344	0	456,344
Intergovernmental Receivable	0	738,630	738,630
Materials and Supplies Inventory	1,156	0	1,156
<i>Total Current Assets</i>	<u>4,643,957</u>	<u>811,470</u>	<u>5,455,427</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	24,304	0	24,304
Nondepreciable Capital Assets	1,194,368	0	1,194,368
Depreciable Capital Assets, Net	11,271,485	0	11,271,485
<i>Total Noncurrent Assets</i>	<u>12,490,157</u>	<u>0</u>	<u>12,490,157</u>
<i>Total Assets</i>	<u>17,134,114</u>	<u>811,470</u>	<u>17,945,584</u>
Deferred Outflows of Resources			
Asset Retirement Obligation	642,500	0	642,500
Pension	89,086	0	89,086
OPEB	52,868	0	52,868
<i>Total Deferred Outflows of Resources</i>	<u>784,454</u>	<u>0</u>	<u>784,454</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	17,328	5,503	22,831
Contracts Payable	0	748,343	748,343
Retainage Payable	0	38,182	38,182
Accrued Wages	6,430	0	6,430
Intergovernmental Payable	24,253	146,643	170,896
Compensated Absences Payable	21,872	0	21,872
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>77,398</u>	<u>938,671</u>	<u>1,016,069</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	14,491	0	14,491
Asset Retirement Obligation Payable	2,570,000	0	2,570,000
OPWC Loan Payable	72,650	0	72,650
OWDA Loan Payable	4,960,711	555,798	5,516,509
Net Pension Liability	242,031	0	242,031
Net OPEB Liability	157,524	0	157,524
<i>Total Long-Term Liabilities</i>	<u>8,017,407</u>	<u>555,798</u>	<u>8,573,205</u>
<i>Total Liabilities</i>	<u>8,094,805</u>	<u>1,494,469</u>	<u>9,589,274</u>
Deferred Inflows of Resources			
Pension	147,610	0	147,610
OPEB	84,017	0	84,017
<i>Total Inflows Outflows of Resources</i>	<u>231,627</u>	<u>0</u>	<u>231,627</u>
Net Position			
Net Investment in Capital Assets	7,424,977	(1,342,323)	6,082,654
Unrestricted	2,167,159	659,324	2,826,483
<i>Total Net Position</i>	<u>\$9,592,136</u>	<u>(\$682,999)</u>	<u>\$8,909,137</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, 2020*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	\$2,423,921	\$336,533	\$2,760,454
Tap-In Fees	350	0	350
<i>Total Operating Revenues</i>	<u>2,424,271</u>	<u>336,533</u>	<u>2,760,804</u>
Operating Expenses			
Personal Services	169,454	32,427	201,881
Contractual Services	2,188,382	1,738,465	3,926,847
Materials and Supplies	20,566	0	20,566
Depreciation	227,355	0	227,355
<i>Total Operating Expenses</i>	<u>2,605,757</u>	<u>1,770,892</u>	<u>4,376,649</u>
<i>Operating Income (Loss)</i>	<u>(181,486)</u>	<u>(1,434,359)</u>	<u>(1,615,845)</u>
Non-Operating Expenses			
Loss on Disposal of Capital Assets	(31,426)	0	(31,426)
Interest and Fiscal Charges	(100,353)	0	(100,353)
<i>Total Non-Operating Expenses</i>	<u>(131,779)</u>	<u>0</u>	<u>(131,779)</u>
<i>Income Before Capital Contributions and Transfers</i>	(313,265)	(1,434,359)	(1,747,624)
Capital Contributions	1,674,615	351,200	2,025,815
Transfers Out	(3,127)	0	(3,127)
<i>Change in Net Position</i>	1,358,223	(1,083,159)	275,064
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>8,233,913</u>	<u>400,160</u>	<u>8,634,073</u>
<i>Net Position End of Year</i>	<u><u>\$9,592,136</u></u>	<u><u>(\$682,999)</u></u>	<u><u>\$8,909,137</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, 2020

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,494,688	\$419,941	\$2,914,629
Cash Payments to Suppliers for Goods and Services	(2,154,069)	(804,417)	(2,958,486)
Cash Payments for Employee Services and Benefits	(254,248)	(32,427)	(286,675)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>86,371</u>	<u>(416,903)</u>	<u>(330,532)</u>
Cash Flows from Capital and Related Financing Activities			
Capital Contributions	1,674,615	0	1,674,615
Acquisition of Capital Assets	(2,098,064)	0	(2,098,064)
OWDA Loans Issued	469,962	168,368	638,330
Principal Paid on OPWC Loans	(7,515)	0	(7,515)
Principal Paid on OWDA Loans	(214,301)	0	(214,301)
Interest Paid on OWDA Loans	(100,353)	0	(100,353)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(275,656)</u>	<u>168,368</u>	<u>(107,288)</u>
Cash Flows from Noncapital Financing Activities			
Transfer Out	(3,127)	0	(3,127)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(192,412)	(248,535)	(440,947)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,378,869</u>	<u>321,375</u>	<u>4,700,244</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$4,186,457</u></u>	<u><u>\$72,840</u></u>	<u><u>\$4,259,297</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	(\$181,486)	(\$1,434,359)	(\$1,615,845)
Adjustments:			
Depreciation	227,355	0	227,355
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	67,380	0	67,380
Intergovernmental Receivable	0	83,408	83,408
Special Assessments Receivable	3,037	0	3,037
Materials and Supplies Inventory	17	0	17
Deferred Outflows - ARO	128,500	0	128,500
Deferred Outflows - Pension	75,391	0	75,391
Deferred Outflows - OPEB	49,494	0	49,494
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	1,594	3,408	5,002
Contracts Payable	0	745,815	745,815
Retainage Payable	0	38,182	38,182
Accrued Wages	1,252	0	1,252
Compensated Absences Payable	(1,046)	0	(1,046)
Intergovernmental Payable	(76,241)	146,643	70,402
Net Pension Liability	5,483	0	5,483
Net OPEB Liability	9,585	0	9,585
Deferred Inflows - Pension	(149,833)	0	(149,833)
Deferred Inflows - OPEB	(74,111)	0	(74,111)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$86,371</u></u>	<u><u>(\$416,903)</u></u>	<u><u>(\$330,532)</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 2020, the storm water enterprise fund paid for construction projects related to capital assets for the sanitary sewer enterprise fund in the amount of \$1,427,615.

At December 31, 2020, the City had intergovernmental receivables related to OPWC loans issued in the amount of \$11,390 in the storm water fund.

At December 31, 2020, the City had intergovernmental receivables related to OWDA loans issued in the amount of \$376,040 in the storm water fund.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 Energy Special Improvement District, Lake County Communities Shoreline 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

Coronavirus Relief Fund The coronavirus relief special revenue fund is used to account for and report restricted monies received from the federal government to assist local governments with the coronavirus pandemic.

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

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

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, asset retirement obligation and 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 asset retirement obligations is measured at the amount of the corresponding liability. This amount is deferred and amortized over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, 2020, but which were levied to finance fiscal year 2021 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, 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 2020, 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 2020, 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 \$100 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 2020 amounted to \$65,889, of which \$32,527 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, 2020, 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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
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For the Year Ended December 31, 2020

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. 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:

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

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 2021’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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Changes in Accounting Principles

For 2020, the City implemented the Governmental Accounting Standard Board’s (GASB) Statement No. 83, Certain Asset Retirement Obligations. GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

Restatement of Net Position

The implementation of GASB Statement No. 83 had the following effect on net position as of December 31, 2019:

	Governmental Activities	Business Type Activities
Net Position December 31, 2019	\$20,977,939	\$10,433,073
Deferred Outflows - Asset Retirement Obligations	14,819	771,000
Asset Retirement Obligations	(86,499)	(2,570,000)
Restated Net Position December 31, 2019	\$20,906,259	\$8,634,073

Note 4 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and Actual presented for the general fund and fire and ems levy and coronavirus relief special revenue funds 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).

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund and fire and ems levy and coronavirus relief special revenue funds.

	General	Fire and EMS	Coronavirus Relief
GAAP Basis	\$1,279,371	\$778,425	\$5,637
Net Adjustment for Revenue Accruals	176,071	0	0
Net Adjustment for Expenditure Accruals	(2,108,450)	0	(5,637)
Encumbrances	1,174,580	0	0
Budget Basis	<u>\$521,572</u>	<u>\$778,425</u>	<u>\$0</u>

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	Coronavirus Relief	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<i>Nonspendable:</i>							
Prepaid Items	\$224,424	\$0	\$5,637	\$0	\$0	\$500	\$230,561
Materials and Supplies Inventory	8,554	0	0	0	181,814	20,542	210,910
Unclaimed Monies	7,719	0	0	0	0	0	7,719
<i>Total Nonspendable</i>	<u>240,697</u>	<u>0</u>	<u>5,637</u>	<u>0</u>	<u>181,814</u>	<u>21,042</u>	<u>449,190</u>
<i>Restricted for:</i>							
Road Improvements	0	0	0	0	850,906	1,127,325	1,978,231
Public Safety	0	0	0	0	0	179,866	179,866
Fire Operations	0	0	0	0	0	113,741	113,741
Police and Fire Pension	0	0	0	0	0	339,927	339,927
Fire and EMS Levy	0	1,212,729	0	0	0	0	1,212,729
Senior Citizens	0	0	0	0	0	74,821	74,821
Stadium Maintenance	0	0	0	0	0	141,211	141,211
Recreation Land Acquisition	0	0	0	0	0	73,807	73,807
Debt Service Payments	0	0	0	492,314	0	0	492,314
<i>Total Restricted</i>	<u>0</u>	<u>1,212,729</u>	<u>0</u>	<u>492,314</u>	<u>850,906</u>	<u>2,050,698</u>	<u>4,606,647</u>
<i>Committed to</i>							
Donations	0	0	0	0	0	61,911	61,911
<i>Assigned to:</i>							
<i>Purchases on order:</i>							
General Government	292,938	0	0	0	0	0	292,938
Security of Persons and Property	250,611	0	0	0	0	0	250,611
Leisure Time Activities	124,894	0	0	0	0	0	124,894
Community Environment	146	0	0	0	0	0	146
Transportation	440,602	0	0	0	0	0	440,602
2021 Appropriations	1,855,097	0	0	0	0	0	1,855,097
<i>Total Assigned</i>	<u>2,964,288</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,964,288</u>
<i>Unassigned</i>	<u>4,757,604</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,757,604</u>
<i>Total Fund Balances</i>	<u>\$7,962,589</u>	<u>\$1,212,729</u>	<u>\$5,637</u>	<u>\$492,314</u>	<u>\$1,032,720</u>	<u>\$2,133,651</u>	<u>\$12,839,640</u>

City of Eastlake, Ohio
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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, 2020.

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation 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;

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

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, 2020, \$1,905,363 of the City's total bank balance of \$7,478,383 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.

City of Eastlake, Ohio
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For the Year Ended December 31, 2020

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, 2020, the City had \$9,091,997 invested in STAR Ohio with an average maturity of 55.8 days.

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

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

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

Note 7 - Receivables

Receivables at December 31, 2020, 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 \$24,304 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 2020 for real and public utility property taxes represents collections of the 2019 taxes.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

2020 real property taxes are levied after October 1, 2020 on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020 was \$12.80 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2020 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate:	
Residential/Agricultural	\$287,641,075
Other Real Estate	101,256,778
Public Utility Personal Property	93,502,666
Total Assessed Values	\$482,400,519

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, 2020, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Local Government	\$545,181
Gasoline Tax	425,944
Homestead and Rollback	163,055
Auto Registration	52,017
Lake County Auditor - Estate Tax	819
Road Improvements	95,657
City of Willoughby	5,876
VOCA	4,963
Ohio Bureau of Workers Compensation	2,396
Total	\$1,295,908
Business-Type Activities:	
Plymouth County Reimbursement	362,590
Galalina Pump Reimbursement	376,040
Total	\$738,630

Note 8 - Tax Abatements

As of December 31, 2020, 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 2020, the values of taxes being abated total \$4,366.

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 2020, 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 2020, the taxes abated under this program were \$138,872.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 - Interfund Transactions

Interfund Transfers

During 2020, the general fund transferred \$845,000 to the general bond retirement debt service fund as debt payments came due, \$250,000 to the road improvement capital projects fund to cover the City's portion of Stevens Boulevard and \$260,810 to other governmental funds to provide additional resources for current operations. The sanitary sewer enterprise fund transferred \$3,127 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 \$96,271. 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 \$61,589.

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, 2020 to December 31, 2020 the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 11 - Capital Assets

A summary of changes in capital assets during 2020 follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,442,984	\$350,000	\$0	\$7,792,984
Construction in Progress	1,373,964	2,251,074	(1,285,661)	2,339,377
<i>Total Nondepreciable Capital Assets</i>	<u>8,816,948</u>	<u>2,601,074</u>	<u>(1,285,661)</u>	<u>10,132,361</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	18,082,049	47,188	(8,054)	18,121,183
Buildings and Improvements	9,897,865	470,803	(381,885)	9,986,783
Machinery and Equipment	4,832,186	698,875	(41,321)	5,489,740
Computer Software	0	287,197	0	287,197
Vehicles	4,466,034	1,941,781	(249,766)	6,158,049
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	27,808,425	1,285,661	0	29,094,086
<i>Total Depreciable Capital Assets</i>	<u>65,086,559</u>	<u>4,731,505</u>	<u>(681,026)</u>	<u>69,137,038</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(6,579,139)	(361,306)	1,614	(6,938,831)
Buildings and Improvements	(6,052,857)	(195,575)	356,646	(5,891,786)
Machinery and Equipment	(3,195,922)	(254,326)	9,553	(3,440,695)
Vehicles	(2,587,267)	(280,206)	216,731	(2,650,742)
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	(21,362,997)	(415,746)	0	(21,778,743)
<i>Total Accumulated Depreciation</i>	<u>(39,778,182)</u>	<u>(1,507,159)</u>	<u>584,544</u>	<u>(40,700,797)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>25,308,377</u>	<u>3,224,346</u>	<u>(96,482)</u>	<u>28,436,241</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$34,125,325</u>	<u>\$5,825,420</u>	<u>(\$1,382,143)</u>	<u>\$38,568,602</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$49,727
Security of Persons and Property	267,323
Transportation	543,548
Basic Utility Services	415,746
Leisure Time Activities	230,815
Total	<u>\$1,507,159</u>

City of Eastlake, Ohio
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	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Business-Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	6,427,549	2,012,356	(7,321,093)	1,118,812
<i>Total Nondepreciable Capital Assets</i>	<u>6,503,105</u>	<u>2,012,356</u>	<u>(7,321,093)</u>	<u>1,194,368</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	2,909,307	7,321,093	0	10,230,400
Machinery and Equipment	1,059,636	69,288	(33,671)	1,095,253
Vehicles	442,758	9,703	0	452,461
Infrastructure				
Sewers	9,615,247	0	0	9,615,247
<i>Total Depreciable Capital Assets</i>	<u>14,026,948</u>	<u>7,400,084</u>	<u>(33,671)</u>	<u>21,393,361</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,313,916)	(94,344)	0	(1,408,260)
Machinery and Equipment	(367,458)	(59,810)	2,245	(425,023)
Vehicles	(311,489)	(14,601)	0	(326,090)
Infrastructure				
Sewers	(7,903,903)	(58,600)	0	(7,962,503)
<i>Total Accumulated Depreciation</i>	<u>(9,896,766)</u>	<u>(227,355)</u>	<u>2,245</u>	<u>(10,121,876)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>4,130,182</u>	<u>7,172,729</u>	<u>(31,426)</u>	<u>11,271,485</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$10,633,287</u>	<u>\$9,185,085</u>	<u>(\$7,352,519)</u>	<u>\$12,465,853</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 2020, the City participated in NORMA (Note 19), an insurance pool, for the following types of insurance:

Type	Coverage
Property	\$50,720,688
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.

Workers' Compensation

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
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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):

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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:

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2020 Actual Contribution Rates	
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 2020, the City's contractually required contribution was \$368,340 for the traditional plan and \$0 for the member-directed plan. Of these amounts, \$10,755 is reported as an intergovernmental payable for the traditional plan.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 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 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 30th 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.

City of Eastlake, Ohio
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Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$906,426 for 2020. Of this amount, \$24,084 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, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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 Traditional Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.0174930%	0.1717945%	
Prior Measurement Date	0.0168430%	0.1708640%	
Change in Proportionate Share	0.0006500%	0.0009305%	
Proportionate Share of the:			
Net Pension Liability	\$3,457,609	\$11,572,996	\$15,030,605
Pension Expense	\$701,193	\$1,446,295	\$2,147,488

2020 pension expense for the member-directed defined contribution plan was \$0. The aggregate pension expense for all pension plans was \$2,147,488.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

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	OPERS		
	Traditional Plan	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$438,075	\$438,075
Changes of assumptions	184,676	284,087	468,763
Changes in proportion and differences between City contributions and proportionate share of contributions			
proportionate share of contributions	161,223	218,748	379,971
City contributions subsequent to the measurement date	368,340	906,426	1,274,766
Total Deferred Outflows of Resources	\$714,239	\$1,847,336	\$2,561,575
Deferred Inflows of Resources			
Differences between expected and actual experience	\$43,716	\$596,866	\$640,582
Net difference between projected and actual earnings on pension plan investments	689,716	559,069	1,248,785
Changes in proportion and differences between City contributions and proportionate share of contributions	0	241,724	241,724
Total Deferred Inflows of Resources	\$733,432	\$1,397,659	\$2,131,091

\$1,274,766 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 2020. 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:			
2021	\$49,937	(\$148,399)	(\$98,462)
2022	(192,168)	(31,376)	(223,544)
2023	28,561	263,832	292,393
2024	(273,863)	(494,018)	(767,881)
2025	0	(46,788)	(46,788)
Thereafter	0	0	0
Total	(\$387,533)	(\$456,749)	(\$844,282)

Actuarial Assumptions - OPERS

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

City of Eastlake, Ohio
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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, 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, 2019, 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	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 percent simple to 1.4 percent simple through 2020 then 2.15 percent simple.

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.

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

During 2019, 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 17.2 percent for 2019.

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

City of Eastlake, Ohio
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benefit pension plans. The long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 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 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 (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) 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 (asset) 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%)
City's proportionate share of the net pension liability			
OPERS Traditional Plan	\$5,702,718	\$3,457,609	\$1,439,324

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total

City of Eastlake, Ohio
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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 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. 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, 2019, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
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	3.25 percent per annum, compounded annually, consisting of 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 Buck 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 Buck Modified 2016 Improvement Scale.

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

City of Eastlake, Ohio
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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, 2019, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	<u>12.00</u>	6.40
Total	<u>120.00 %</u>	

Note: Assumptions are geometric.

* levered 2x

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 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.

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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	\$16,039,769	\$11,572,996	\$7,836,982

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.

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.

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Funding Policy - The Ohio Revised Code 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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and 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 2020 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.

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

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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 2020, 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 \$21,123 for 2020. Of this amount, \$569 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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0162920%	0.1717945%	
Prior Measurement Date	<u>0.0157000%</u>	<u>0.1708640%</u>	
Change in Proportionate Share	<u>0.0005920%</u>	<u>0.0009305%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,250,349	\$1,696,940	\$3,947,289
OPEB Expense	\$389,640	\$183,078	\$572,718

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At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$60	\$0	\$60
Changes of assumptions	356,206	992,097	1,348,303
Changes in proportion and differences between City contributions and proportionate share of contributions	98,156	174,584	272,740
City contributions subsequent to the measurement date	<u>0</u>	<u>21,123</u>	<u>21,123</u>
Total Deferred Outflows of Resources	<u>\$454,422</u>	<u>\$1,187,804</u>	<u>\$1,642,226</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$205,804	\$182,489	\$388,293
Changes of assumptions	0	361,643	361,643
Net difference between projected and actual earnings on OPEB plan investments	114,587	78,087	192,674
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>111,777</u>	<u>111,777</u>
Total Deferred Inflows of Resources	<u>\$320,391</u>	<u>\$733,996</u>	<u>\$1,054,387</u>

\$21,123 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	\$136,206	\$76,513	\$212,719
2022	46,697	76,513	123,210
2023	92	92,531	92,623
2024	(48,964)	67,279	18,315
2025	0	80,360	80,360
Thereafter	<u>0</u>	<u>39,489</u>	<u>39,489</u>
Total	<u>\$134,031</u>	<u>\$432,685</u>	<u>\$566,716</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

City of Eastlake, Ohio
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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, 2018, rolled forward to the measurement date of December 31, 2019. 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	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

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

During 2019, 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, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year.

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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 19.7 percent for 2019.

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 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 2.75 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 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 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

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	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$2,944,942	\$2,250,349	\$1,694,205

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 2020 is 10.50 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 3.50 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	\$2,183,943	\$2,250,349	\$2,315,908

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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.

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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, 2019, with actuarial liabilities rolled forward to December 31, 2019
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	3.25 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 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 Buck 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 Buck Modified 2016 Improvement Scale.

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

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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 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. 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 2034. The long-term expected rate of return on health care investments was applied to projected costs through 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 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 3.56 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 (2.56 percent), or one percentage point higher (4.56 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	\$2,104,096	\$1,696,940	\$1,358,622

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.

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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
Governmental Activities:			
<i>General Obligation Bonds:</i>			
2004 Various Purpose Bonds	2.5-5%	\$60,000	2031
2011 Tax Exempt Various Purpose Refunding Bonds	2 - 4	9,995,000	2027
2013 Capital Facilities Refunding Bonds	5.125 - 5.75	4,025,000	2031
2020 Tax Exempt Refunding of 2011 Bonds	1.30	4,960,000	2027
2020 Taxable Refunding of 2013 Bonds	1.76	2,785,000	2027
<i>OPWC Loans from Direct Borrowings:</i>			
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	2040
<i>Capital Leases:</i>			
Loader	3.30	139,853	2022
Ambulance 1	3.04	196,519	2021
Ambulance 2	3.24	199,545	2020
Fire Trucks	3.58	1,023,014	2026
Police Tasers	0.00	48,063	2022
Business-Type Activities:			
<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
Plymouth Drive Storm Outfall	0	11,390	N/A
<i>OWDA Loans:</i>			
Waverly Relief Sewer	1.66-2.08	4,807,731	N/A
Galalina Storm Sewer	1.12	23,509	N/A
Plymouth Drive Storm Sewer	0.92	532,289	N/A

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Changes in long-term obligations of the City during 2020 were as follows:

	Balance 12/31/2019	Increase	Decrease	Balance 12/31/2020	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2004 Various Purpose Bonds - Term	\$60,000	\$0	\$60,000	\$0	\$0
2011 Tax Exempt Various Purpose Refunding Bonds:					
Serial	4,075,000	0	4,075,000	0	0
Term	1,375,000	0	1,375,000	0	0
Total 2011 Various Purpose Bonds	5,450,000	0	5,450,000	0	0
2013 Capital Facilities Refunding Bonds:					
Serial	835,000	0	835,000	0	0
Term	2,075,000	0	2,075,000	0	0
Discount	(17,545)	0	(17,545)	0	0
Total 2013 Capital Facilities Refunding Bonds	2,892,455	0	2,892,455	0	0
2020 Tax Exempt Refunding of 2011 Bonds:					
Term	0	4,960,000	0	4,960,000	710,000
2020 Taxable Refunding of 2013 Bonds:					
Term	0	2,785,000	0	2,785,000	365,000
<i>Total General Obligation Bonds</i>	8,402,455	7,745,000	8,402,455	7,745,000	1,075,000
OPWC Loans from Direct Borrowings:					
Parkland Drive Road and Sewer	1,247	0	1,247	0	0
Stevens Boulevard Road and Sewer	2,457	0	2,457	0	0
East Overlook Road, Storm and Sanitary Sewer	4,595	0	1,313	3,282	1,313
Roberts Road Improvements	37,500	0	7,500	30,000	7,500
Plymouth Road and Sewer	17,460	0	2,910	14,550	2,910
Roberts Road Improvements-Phase 2	55,493	0	4,825	50,668	4,825
Edison and Mondamin Storm Sewer	22,589	0	1,883	20,706	1,882
Willowick Drive	88,941	17,006	5,294	100,653	5,294
<i>Total OPWC Loans</i>	230,282	17,006	27,429	219,859	23,724
Capital Leases:					
Loader	65,264	0	27,971	37,293	27,971
Ambulance 1	81,574	0	81,574	0	0
Ambulance 2	68,647	0	68,647	0	0
Fire Trucks	0	1,023,014	131,184	891,830	135,881
Police Tasers	29,625	0	9,875	19,750	9,875
<i>Total Capital Leases</i>	\$245,110	\$1,023,014	\$319,251	\$948,873	\$173,727

(continued)

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

	Balance 12/31/2019	Increase	Decrease	Balance 12/31/2020	Amounts Due in One Year
Governmental Activities (continued):					
Other Long-Term Obligations:					
Asset Retirement Obligations	\$86,499	\$0	\$0	\$86,499	\$0
Compensated Absences Payable	1,333,958	259,886	261,876	1,331,968	274,991
Workers' Compensation Liability	1,250	0	1,250	0	0
<i>Total Other Long-Term Obligations</i>	<u>1,421,707</u>	<u>259,886</u>	<u>263,126</u>	<u>1,418,467</u>	<u>274,991</u>
Net Pension Liability:					
OPERS	4,382,307	0	1,166,729	3,215,578	0
OP&F	13,947,018	0	2,374,022	11,572,996	0
<i>Total Net Pension Liability</i>	<u>18,329,325</u>	<u>0</u>	<u>3,540,751</u>	<u>14,788,574</u>	<u>0</u>
Net OPEB Liability:					
OPERS	1,944,565	148,260	0	2,092,825	0
OP&F	1,555,978	140,962	0	1,696,940	0
<i>Total Net OPEB Liability</i>	<u>3,500,543</u>	<u>289,222</u>	<u>0</u>	<u>3,789,765</u>	<u>0</u>
Total Governmental Activities	<u>\$32,129,422</u>	<u>\$9,334,128</u>	<u>\$12,553,012</u>	<u>\$28,910,538</u>	<u>\$1,547,442</u>
	Balance 12/31/2019	Increase	Decrease	Balance 12/31/2020	Amounts Due in One Year
Business-Type Activities:					
OPWC Loans from Direct Borrowings:					
Robin/Forest/King Drive Pump Stations	\$25,000	\$0	\$2,500	\$22,500	\$2,500
Quentin Road Pump Station	62,680	0	5,015	57,665	5,015
Plymouth Drive Storm Outfall	0	11,390	0	11,390	0
<i>Total OPWC Loans</i>	<u>87,680</u>	<u>11,390</u>	<u>7,515</u>	<u>91,555</u>	<u>7,515</u>
OWDA Loans from Direct Borrowings:					
Waverly Relief Sewer	4,705,050	469,962	214,301	4,960,711	0
Galalina Storm Sewer	0	388,159	0	388,159	0
Plymouth Drive Storm Outfall	0	156,249	0	156,249	0
<i>Total OWDA Loans</i>	<u>4,705,050</u>	<u>1,014,370</u>	<u>214,301</u>	<u>5,505,119</u>	<u>0</u>
Other Long-Term Obligations:					
Asset Retirement Obligation	2,570,000	0	0	2,570,000	0
Compensated Absences Payable	37,409	18,688	19,734	36,363	21,872
<i>Total Other Long-Term Obligations</i>	<u>2,607,409</u>	<u>18,688</u>	<u>19,734</u>	<u>2,606,363</u>	<u>21,872</u>
Net Pension Liability:					
OPERS	230,648	11,383	0	242,031	0
Net OPEB Liability:					
OPERS	102,345	55,179	0	157,524	0
Total Business-Type Activities	<u>\$7,733,132</u>	<u>\$1,111,010</u>	<u>\$241,550</u>	<u>\$8,602,592</u>	<u>\$29,387</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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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. These bonds were fully retired during 2020.

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. These bonds were fully refunded during 2020.

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 was 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 were fully refunded during 2020.

2020 Refunding Bonds During 2020, the City issued tax exempt term bonds, in the amount of \$4,960,000, to refund bonds previously issued in 2011 to refund bonds issued for construction of the stadium. The bonds were issued for a 7 year period with final maturity on December 1, 2027 and an interest rate of 1.3 percent. The bonds will be retired through the general bond retirement debt service fund.

	2011 Tax Exempt Refunding Bonds
Outstanding at December 31, 2019	\$5,450,000
Amount Refunded	(4,815,000)
Principal Payment on Non-Refunded Portion	(635,000)
Outstanding at December 31, 2020	\$0

Net proceeds of \$4,896,323 (after payment of \$63,677 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2011 tax exempt bonds. As a result, \$4,815,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

	2011 Tax Exempt Refunding Bonds
Serial Bonds	\$3,440,000
Term Bonds	1,375,000
Loss on Refunded Bonds	(166,602)
Total 2011 Tax Exempt Refunding Bonds	4,648,398
Payment to Refunded Bond Escrow Agent - Other Financing Use	(4,896,323)
2020 Refunding Accounting Loss	(\$247,925)

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The refunding resulting in the recognition of an accounting loss of \$247,925. The City in effect decreased its aggregated debt service payments by \$242,552 over the next seven years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$230,007.

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 in the years and in the respective principal amounts as follows:

Year	Issue
2021	\$710,000
2022	720,000
2023	740,000
2024	750,000
2025	750,000
2026	765,000
Total Mandatory Sinking Fund Payments	4,435,000
Amount Due at Stated Maturity	525,000
Total	\$4,960,000
<i>Stated Maturity</i>	12/1/2027

During 2020, the City issued taxable term bonds, in the amount of \$4,960,000, to refund bonds previously issued in 2011 to refund bonds issued for construction of the stadium. The bonds were issued for a 7 year period with final maturity on December 1, 2027 and an interest rate of 1.76 percent. The bonds will be retired through the general bond retirement debt service fund.

	2013 Taxable Refunding Bonds
Outstanding at December 31, 2019	\$2,892,455
Amount of Principal Refunded	(2,705,000)
Amount of Discount Refunded	16,309
Principal Payment on Non-Refunded Portion	(205,000)
Discount Amortized on Non-Refunded Portion	1,236
Outstanding at December 31, 2020	\$0

Net proceeds of \$2,741,354 (after payment of \$43,646 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2011 tax exempt bonds. As a result, \$2,705,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

	2013 Taxable Refunding Bonds
Serial Bonds	\$630,000
Term Bonds	2,075,000
Discount on Bonds	(16,309)
Loss on Refunded Bonds	(168,632)
Total 2011 Tax Exempt Refunding Bonds	2,520,059
Payment to Refunded Bond Escrow Agent - Other Financing Use	(2,741,354)
2020 Refunding Accounting Loss	(\$221,295)

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The refunding resulting in the recognition of an accounting loss of \$221,295. The City in effect decreased its aggregated debt service payments by \$414,685 over the next seven years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$279,757.

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 in the years and in the respective principal amounts as follows:

Year	Issue
	\$2,785,000
2021	\$365,000
2022	375,000
2023	385,000
2024	405,000
2025	410,000
2026	415,000
Total Mandatory Sinking Fund Payments	2,355,000
Amount Due at Stated Maturity	430,000
Total	\$2,785,000
<i>Stated Maturity</i>	12/1/2027

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 and sewer project funds.

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$219,859 and business-type activities of \$91,555 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.

A line of credit has been established with the OPWC for the Plymouth Drive and Quentin Road storm outfall emergency repair. 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, 2020 is \$11,390.

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 \$5,505,119 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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during with 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, 2020 is \$4,960,711.

A line of credit has been established with OWDA in the amount of \$3,460,790 to cover the costs of replacing Galalina storm sewer. The loan has an interest rate of 1.12 percent and will mature in 2042. 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, 2020 is \$388,159.

A line of credit has been established with OWDA in the amount of \$228,436 to cover the costs of replacing storm outfalls along Plymouth Drive and Quentin Road. The loan has an interest rate of .92 percent and will mature in 2041. 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, 2020 is \$156,249.

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 special revenue fund; 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 was 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 \$37,337,547 with an unvoted debt margin of \$13,217,522 at December 31, 2020.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2020, were as follows:

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Year	Governmental Activities		Business-Type Activities	
	General Obligation Bonds		From Direct	From Direct
	Term		Borrowings	Borrowings
	Principal	Interest	OPWC Loans	OPWC Loans
2021	\$1,075,000	\$121,693	\$23,724	\$7,515
2022	1,095,000	97,842	23,729	7,514
2023	1,125,000	81,882	23,072	7,515
2024	1,155,000	65,486	22,416	7,514
2025	1,160,000	48,608	14,916	7,515
2026-2030	2,135,000	46,036	60,028	35,071
2031-2035	0	0	30,783	7,521
2036-2040	0	0	21,191	0
Total	\$7,745,000	\$461,547	\$219,859	\$80,165

Note 17 – Capital Leases

In prior years, the City entered into capitalized leases for a loader, ambulances, fire trucks 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, 2020 follows:

	Governmental Activities
Equipment	\$187,916
Vehicles	1,023,014
Leased property, total value	1,210,930
Less: Accumulated Depreciation	(123,143)
Leased property, net of depreciation	<u>\$1,087,787</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, 2020.

	Governmental Activities
2021	\$207,681
2022	187,680
2023	167,808
2024	167,808
2025-2026	<u>335,616</u>
Total minimum lease payments	1,066,593
Less: amount representing interest	(117,720)
Present value of minimum lease payments	<u>\$948,873</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 2020, 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.

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 2020, the City paid RITA \$298,419 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 2020, 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.

Lake County Communities Shoreline Special Improvement District

The Lake County Communities Shoreline 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 and implementing shoreline improvement projects that abate the erosion of the shoreline. For 2020, the City did not contribute to the District. For more information, contact Kevin Butler, 600 Superior Avenue, East, Suite 2100, Cleveland, Ohio 44114.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 2020, the City of Eastlake paid \$184,483 in premiums from the general fund, which represents 6.90 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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 \$1,644,748 to the City of Willoughby for the joint sewer treatment facility in 2020 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:

Governmental Funds:	
General	\$1,174,580
Road Improvements	90,723
Other Governmental Funds	74,042
<i>Total Governmental Funds</i>	<u>1,339,345</u>
Proprietary Fund:	
Sanitary Sewer	26,159
Storm Water Management	11,383
<i>Total Proprietary Funds</i>	<u>37,542</u>
<i>Total Encumbrances</i>	<u><u>\$1,376,887</u></u>

Note 23 – Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$2,570,000 associated with the City's waste water treatment facilities were estimated by the City engineer. The remaining useful life of these facilities is 13 years.

State and/or federal laws and regulation require a City classified as an "owner" or "operator," to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This assets retirement obligations (ARO) of \$67,500 associated with the City's underground storage tanks was estimated by the City engineer. The USTs have been fully depreciated. The City maintains insurance related to any potential pollution remediation associated with the USTs.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Local City laws and regulation require an “owner” or “operator,” to remove from the ground any concrete swimming pools that are not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the swimming pool is removed, the soil in the ground cavity and excavated material must be tested for contamination. This assets retirement obligations (ARO) of \$18,999 associated with the City’s swimming pool was estimated by the City engineer. The remaining useful life of the swimming pool is 39 years.

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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 Seven Years (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.0174930%	0.0168430%	0.0154430%	0.0154640%
City's Proportionate Share of the Net Pension Liability	\$3,457,609	\$4,612,955	\$2,422,708	\$3,511,613
City's Covered Payroll	\$2,461,214	\$2,274,986	\$2,040,854	\$1,999,008
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.77%	118.71%	175.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%

(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

2016	2015	2014
0.0160150%	0.0194010%	0.0194010%
\$2,773,999	\$2,339,977	\$2,287,125
\$1,993,250	\$2,378,625	\$2,522,631
139.17%	98.38%	90.66%
81.08%	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 Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0162920%	0.0157000%	0.0144200%	0.0124000%
City's Proportionate Share of the Net OPEB Liability	\$2,250,349	\$2,046,910	\$1,565,906	\$1,252,442
City's Covered Payroll	\$2,461,314	\$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	91.43%	89.89%	61.34%	41.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	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 Seven Years (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.1717945%	0.1708640%	0.1662910%	0.1698210%
City's Proportionate Share of the Net Pension Liability	\$11,572,996	\$13,947,018	\$10,206,031	\$10,756,292
City's Covered Payroll	\$3,987,448	\$4,064,518	\$3,321,193	\$3,598,541
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	290.24%	343.14%	307.30%	298.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%

(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

2016	2015	2014
0.1735800%	0.1820268%	0.1820270%
\$11,166,524	\$9,429,747	\$8,865,276
\$3,734,429	\$3,566,749	\$3,396,064
299.02%	264.38%	261.05%
66.77%	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 Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.1717945%	0.1708640%	0.1662910%	0.1698210%
City's Proportionate Share of the Net OPEB Liability	\$1,696,940	\$1,555,978	\$9,421,814	\$8,061,021
City's Covered Payroll	\$3,987,448	\$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	42.56%	38.28%	283.69%	224.01%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	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 Eight Years (1) (2)

	2020	2019	2018	2017
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$368,340	\$344,570	\$318,498	\$265,311
Contributions in Relation to the Contractually Required Contribution	(368,340)	(344,570)	(318,498)	(265,311)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
City Covered Payroll	\$2,631,000	\$2,461,214	\$2,274,986	\$2,040,854
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$0	\$4	\$90	\$40,895
Contributions in Relation to the Contractually Required Contribution	0	(4)	(90)	(40,895)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
City Covered Payroll (3)	\$2,631,000	\$2,461,214	\$2,277,236	\$2,553,004
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	1.60%

(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

2016	2015	2014	2013
\$239,881	\$239,190	\$285,435	\$327,942
(239,881)	(239,190)	(285,435)	(327,942)
\$0	\$0	\$0	\$0
\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,631
12.00%	12.00%	12.00%	13.00%
\$79,960			
(79,960)			
\$0			
\$2,998,508			
2.67%			

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$906,426	\$857,583	\$874,338	\$712,177
Contributions in Relation to the Contractually Required Contribution	<u>(906,426)</u>	<u>(857,583)</u>	<u>(874,338)</u>	<u>(712,177)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$4,224,613	\$3,987,448	\$4,064,518	\$3,321,193
Pension Contributions as a Percentage of Covered Payroll	<u>21.46%</u>	<u>21.51%</u>	<u>21.51%</u>	<u>21.44%</u>
Net OPEB Liability				
Contractually Required Contribution	\$21,123	\$19,938	\$20,322	\$16,606
Contributions in Relation to the Contractually Required Contribution	<u>(21,123)</u>	<u>(19,938)</u>	<u>(20,322)</u>	<u>(16,606)</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>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.96%</u>	<u>22.01%</u>	<u>22.01%</u>	<u>21.94%</u>

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

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$772,472	\$797,325	\$761,770	\$612,833	\$527,697	\$645,508
<u>(772,472)</u>	<u>(797,325)</u>	<u>(761,770)</u>	<u>(612,833)</u>	<u>(527,697)</u>	<u>(645,508)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,598,541	\$3,734,429	\$3,566,749	\$3,396,064	\$3,542,262	\$4,356,623
<u>21.47%</u>	<u>21.35%</u>	<u>21.36%</u>	<u>18.05%</u>	<u>14.90%</u>	<u>14.82%</u>
\$17,993	\$18,672	\$17,834	\$122,824	\$239,103	\$294,072
<u>(17,993)</u>	<u>(18,672)</u>	<u>(17,834)</u>	<u>(122,824)</u>	<u>(239,103)</u>	<u>(294,072)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.97%</u>	<u>21.85%</u>	<u>21.86%</u>	<u>21.67%</u>	<u>21.65%</u>	<u>21.57%</u>

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OPERS Pension– Traditional Plan

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 in prior years 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	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

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, 2020

Changes in Assumptions – OPERS Pension – Combined Plan

For 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

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:

	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

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

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

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2020	10.0 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Single Discount Rate:	
2020	3.56 percent
2019	4.66 percent
2018	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.