

**CITY OF LORAIN  
LORAIN COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2020**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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Members of City Council  
City of Lorain  
200 West Erie Avenue  
Lorain, Ohio 44052

We have reviewed the *Independent Auditor's Report* of the City of Lorain, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Lorain is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

August 23, 2021

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
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Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of City Council  
City of Lorain  
Lorain, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the Coronavirus Relief Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the basic financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations and GASB Statement No. 84, Fiduciary Activities. Also, as discussed in Note 25 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles,



and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 29, 2021

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**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
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The discussion and analysis of the City of Lorain's ("the City") 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 should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are:

- The fund balance in the General fund increased by \$4,456,193 in 2020 and ended with a balance of \$11,943,596. This sustained increase in fund balance over the last several years has enabled the City to set aside an additional \$796,306 in the fund balance reserve to bring the reserve balance up to \$1,546,306.
- Moody's Investors Service upgraded the City's bond rating from Baa2 to Baa1.
- The City received approximately \$7.3 million in Coronavirus Relief Fund grant proceeds on a cash basis during the year.
- The City issued a \$13,065,000 general obligation bond on November 25, 2020 for the purpose of refunding existing bonds to take advantage of more favorable interest rates. The issue resulted in net present value savings of over \$1.2 million.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other nonmajor funds presented in one total column.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 is improving or deteriorating.

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The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal 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 the cash flows*.

Thus, revenue and expenses reported in this statement for some items will only result in cash flows in 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 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 or charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, public health, community and environment, economic development, and leisure time activities. The business-type activities of the City include two enterprise activities: water works and water pollution control.

The government-wide financial statements can be found starting on page 21 of this report.

### **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, 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 can be divided into three categories: governmental, proprietary, and fiduciary funds.

### **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 fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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*.

Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Coronavirus Relief Fund, the General Obligation Bond Retirement Fund, and the Capital Improvements Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City of Lorain adopts an annual appropriated budget for each of its funds.

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**Proprietary Funds**

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water works and water pollution control (sewer) services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds: the Garage Fund, which accounts for charges to various departments for fuel and maintenance on vehicles and equipment, and the Hospitalization Fund, which accounts for the hospital/medical and prescription drug benefits for the self-insurance program for the employees of the City. The services provided by these funds predominately benefit governmental rather than business-type functions. They have been included within *governmental activities* in government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The *proprietary fund financial statements* provide separate information for the water works and water pollution control operations, both of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found beginning on page 29 of this report.

**Fiduciary Funds**

The City's only fiduciary funds are custodial funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund financial statement can be found on pages 32-33 of this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-104 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements are the required supplementary information and notes to the required supplementary information related to the net pension liability and net OPEB liability. This information can be found on pages 105 through 114 of the report.

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**Government-Wide Financial Analysis**

The Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position at December 31, 2020 as compared to December 31, 2019.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019*	2020	2019*	2020	2019*
<b>Assets</b>						
Current and Other Assets	\$ 56,080,549	\$ 57,377,001	\$ 52,562,068	\$ 49,224,756	\$ 108,642,617	\$ 106,601,757
Capital Assets, Net	133,107,593	124,791,327	209,331,002	211,360,016	342,438,595	336,151,343
<i>Total Assets</i>	189,188,142	182,168,328	261,893,070	260,584,772	451,081,212	442,753,100
<b>Deferred Outflows of Resources</b>						
Deferral on Refunding	636,275	456,429	-	130,705	636,275	587,134
Asset Retirement Obligation	-	-	123,016	-	123,016	-
Pension	6,999,475	15,498,462	1,707,419	4,289,192	8,706,894	19,787,654
OPEB	4,370,479	3,331,844	1,237,026	588,781	5,607,505	3,920,625
<i>Total Deferred Outflows of Resources</i>	12,006,229	19,286,735	3,067,461	5,008,678	15,073,690	24,295,413
<b>Liabilities</b>						
Current and Other Liabilities	5,948,476	4,263,701	1,534,080	1,431,883	7,482,556	5,695,584
Long-Term Liabilities:						
Due Within One Year	10,414,238	9,353,722	8,269,568	8,667,325	18,683,806	18,021,047
Due in More Than One Year						
Net Pension Liability	44,883,658	57,959,557	10,031,583	13,563,882	54,915,241	71,523,439
Net OPEB Liability	13,099,510	12,256,555	6,875,873	6,314,628	19,975,383	18,571,183
Asset Retirement Obligation	-	-	384,425	-	384,425	-
Other Amounts	64,496,954	67,259,128	108,518,425	116,293,726	173,015,379	183,552,854
<i>Total Liabilities</i>	138,842,836	151,092,663	135,613,954	146,271,444	274,456,790	297,364,107
<b>Deferred Inflows of Resources</b>						
Property Taxes	5,067,306	4,960,679	-	-	5,067,306	4,960,679
Payments in Lieu of Taxes	1,344,340	1,369,825	-	-	1,344,340	1,369,825
Pension	8,526,047	2,755,125	2,127,908	193,594	10,653,955	2,948,719
OPEB	3,678,771	2,245,954	986,210	103,705	4,664,981	2,349,659
<i>Total Deferred Inflows of Resources</i>	18,616,464	11,331,583	3,114,118	297,299	21,730,582	11,628,882
<b>Net Position</b>						
Net Investment in Capital Assets	72,010,544	50,793,926	94,214,980	88,546,589	166,225,524	139,340,515
Restricted	21,805,992	39,265,143	2,440,254	4,561,345	24,246,246	43,826,488
Unrestricted (Deficit)	(50,081,465)	(51,028,252)	29,577,225	25,916,773	(20,504,240)	(25,111,479)
<i>Total Net Position</i>	\$ 43,735,071	\$ 39,030,817	\$ 126,232,459	\$ 119,024,707	\$ 169,967,530	\$ 158,055,524

\* Restated

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2020 and is reported pursuant to GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27". The City previously adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach.

This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government.

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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.

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

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. For the City, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$169,967,530 at December 31, 2020.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, easements, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures and infrastructure including water and sewer lines, streets, sidewalks, bridges, and storm sewers), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total net position increased from 2019 to 2020. The increase in total assets is essentially the result of increases in cash and cash equivalents and capital assets, net. The changes in net pension liability, net OPEB liability, deferred inflows and outflows of resources for pension and OPEB are due to the recording of GASB Statement No. 68 and GASB 75. Total liabilities excluding net pension liability and net OPEB liability decreased from 2019 to 2020 by \$7,703,319 as a result of a decrease in other long-term liabilities, primarily the result of debt service payments, which was offset by an increase in current liabilities predominately due to increases in accrued wages and benefits and health claims payable.



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Table 2 shows the changes in net position for the years ended December 31, 2020 and 2019 and corresponds to the Statement of Activities on page 22.

**Table 2  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 10,547,941	\$ 6,761,584	\$ 34,397,326	\$ 37,866,913	\$ 44,945,267	\$ 44,628,497
Operating Grants and Contributions	17,991,576	7,965,697	-	-	17,991,576	7,965,697
Capital Grants and Contributions	986,739	2,966,302	-	-	986,739	2,966,302
<b>Total Program Revenues</b>	<b>29,526,256</b>	<b>17,693,583</b>	<b>34,397,326</b>	<b>37,866,913</b>	<b>63,923,582</b>	<b>55,560,496</b>
<b>General Revenues:</b>						
Property Taxes	4,744,443	4,712,552	-	-	4,744,443	4,712,552
Municipal Income Taxes	25,070,423	25,154,687	-	-	25,070,423	25,154,687
Payments in Lieu of Taxes	1,248,626	1,217,406	-	-	1,248,626	1,217,406
Grants and Entitlements not Restricted to Specific Programs	3,721,124	3,506,519	-	-	3,721,124	3,506,519
Franchise Fees	649,336	652,286	-	-	649,336	652,286
Investment Earnings	778,393	1,376,998	-	-	778,393	1,376,998
All Other Revenue	3,032,556	1,416,756	679,717	236,472	3,712,273	1,653,228
<b>Total General Revenues</b>	<b>39,244,901</b>	<b>38,037,204</b>	<b>679,717</b>	<b>236,472</b>	<b>39,924,618</b>	<b>38,273,676</b>
<b>Total Revenues</b>	<b>68,771,157</b>	<b>55,730,787</b>	<b>35,077,043</b>	<b>38,103,385</b>	<b>103,848,200</b>	<b>93,834,172</b>
<b>Program Expense:</b>						
General Government	15,257,039	10,169,041	-	-	15,257,039	10,169,041
Security of Persons and Property	28,485,061	2,185,727	-	-	28,485,061	2,185,727
Transportation	6,766,499	6,908,537	-	-	6,766,499	6,908,537
Public Health	720,096	327,331	-	-	720,096	327,331
Community and Environment	6,845,478	3,712,005	-	-	6,845,478	3,712,005
Economic Development	2,887,118	2,630,987	-	-	2,887,118	2,630,987
Leisure Time Activities	653,704	838,909	-	-	653,704	838,909
Interest and Fiscal Charges	2,522,945	2,485,027	-	-	2,522,945	2,485,027
Water Works	-	-	12,030,668	12,617,398	12,030,668	12,617,398
Water Pollution Control	-	-	15,767,586	16,173,639	15,767,586	16,173,639
<b>Total Expenses</b>	<b>64,137,940</b>	<b>29,257,564</b>	<b>27,798,254</b>	<b>28,791,037</b>	<b>91,936,194</b>	<b>58,048,601</b>
<b>Increase (Decrease) in Net Position</b>						
<b>Before Transfers</b>	4,633,217	26,473,223	7,278,789	9,312,348	11,912,006	35,785,571
Transfers	71,037	43,362	(71,037)	(43,362)	-	-
<b>Increase in Net Position</b>	<b>4,704,254</b>	<b>26,516,585</b>	<b>7,207,752</b>	<b>9,268,986</b>	<b>11,912,006</b>	<b>35,785,571</b>
<b>Net Position, January 1</b>	<b>39,030,817</b>	<b>11,936,045</b>	<b>119,024,707</b>	<b>108,962,929</b>	<b>158,055,524</b>	<b>107,417,495</b>
<b>Restatement</b>	<b>-</b>	<b>578,187</b>	<b>-</b>	<b>792,792</b>	<b>-</b>	<b>1,370,979</b>
<b>Net Position, December 31</b>	<b>\$ 43,735,071</b>	<b>\$ 39,030,817</b>	<b>\$ 126,232,459</b>	<b>\$ 119,024,707</b>	<b>\$ 169,967,530</b>	<b>\$ 158,055,524</b>

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LORAIN COUNTY, OHIO  
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Program revenues increased in 2020. This increase is due to mainly the increase in charges for services and operating grants and contributions, which was offset by a decrease in capital grants and contributions. The dominating reason for the rise in charges for services is due to the implementation of GASB 84. The increase in operating grants and contributions is due to the City receiving CARES Act money to support COVID-19 Pandemic and an increase in grant receivable in Habitat Conservation Special Revenue fund. The decrease in capital grants and contributions is the result of a decrease of grant receivable in Capital Project Fund. While program revenues provide considerable assistance in the provision of governmental services, the burden of governmental support is met by general revenues such as municipal income taxes, property taxes, and unrestricted grants and entitlements. General revenues increased by \$1,650,942 from the prior year due to an increase in all other revenue.

***Governmental Activities***

There are several revenue sources that fund the City's governmental activities. Municipal income tax revenues account for one of the largest sources of revenue. The income tax rate for the general fund of the City is 2.00 percent and was last amended in 2012. In 1992 an additional .25 percent was approved by the citizens of Lorain for the Police (money collected is in a separate police levy fund).

In 2012, an additional .25 percent was approved by the citizens of Lorain for the Streets (money collected is in the streets special revenue fund). In 2020, the revenue from municipal income taxes decreased by \$84,264. The income tax credit in effect for 2020 and future years is 100 percent of the tax paid to another city up to a maximum of 2.00 percent.

The second largest source of revenue in governmental activities, operating grants and contributions, which increased \$8.0 million from the prior year, is principally due to COVID monies approximately \$6.9 million and the rest due to grant increase in Special Revenue fund.

The increase of \$3.4 million in charges for services is due to the implementation of GASB 84 which moved the prior agency fund, Waste Collection, to a Special Revenue fund.

All other revenues increased by \$1.6 million due to an increase in Ohio Bureau of Workers Compensation (OBWC) rebates in 2020. Capital Grants and Contribution decreased by \$1.9 million due to a decrease of grant in Capital Project fund. Investment earnings and franchise fees decreased by \$598,605 and \$2,950 respectively.

The minimal increase in property taxes is essentially due to a modest increase in the assessed valuation, and the resulting real estate tax collections, of property within the City as certified by the Lorain County Auditor.

The City has a strong economic development program, through its Community Development Department, which continues to aggressively pursue new businesses to support the City's governmental activities. The City of Lorain, through the Administration and City Council, continues to undertake strategies that will expand the local tax base, expand employment opportunities, improve economic conditions and diversify the local industrial base.

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Total governmental program expenses for 2020 increased by \$34.8 million as compared to 2019. This increase is attributable to the Ohio Police and Fire Pension Fund (OP&F) making a change to its health care model. Beginning January 1, 2019, OP&F has changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, OP&F management expects that it will be able to provide stipends to eligible participants for the next 15 years. The change in the health care model increased the security and persons of property expenses by \$26.3 million in 2020.

Expenditures for community and environment increased by approximately \$3.1 million due primarily to the variance in expenditures for the US EPA Lower Black River Area of Concern Remediation and Restoration Project in 2019 as compared to 2020. The City paid for these from grants and general revenues.

Growth in the economic development program expense relates to activities that promote the City's business and residential development and is directly associated with the increase in Community Development Block Grant and Coronavirus Relief Fund grant funding.

In addition to financial support from General Fund revenues, the Police Department has a special income tax levy of .25 percent which is used for additional police officers and equipment and the Fire Department has a 1.7 mil real estate tax levy for fire personnel and equipment. This money is utilized to purchase new equipment and facilities that will better serve the community and maintain adequate staffing levels for police officers and fire personnel.

General government expenses include the functions of the legislative, executive and judicial branches of the City and include the operations of the auditor, treasurer, engineering and electrical departments. The general government expenses increased approximately by \$5.1 and correlates to an increase in expenditures from the Coronavirus Relief Fund grant and an increase in compensated absences and accrued wages and benefits payable.

***Business-Type Activities***

Utility services for water and water pollution control saw a significant decline in charges for services due mainly to a decrease in consumption by businesses during the COVID-19 shutdown in 2020. The City closely monitors the utility rate structure to insure it meets its operating needs including debt.

The State Route 611 (W. 21<sup>st</sup> St.) waterline project was completed in 2020. Other water projects were continued or undertaken including the East Lorain, a water treatment plant master plan, the Red Hill water transmission main, and the Water Main Replacement program. The Martins Run lift station, Mechanical Bar Screen, Primary Digester Improvement, and the multi-year sewer relining project were continued in 2020 for water pollution control operations.

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LORAIN COUNTY, OHIO  
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*The City's Funds*

Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Resources that are not restricted, committed, or assigned are accounted for in the General Fund. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the City's net resources available for spending at the end of the year. Information about the City's governmental funds begins on page 23. These funds are accounted for using the modified accrual basis of accounting.

As of the end of the current year, the City of Lorain's governmental funds reported combined ending fund balances of \$36,115,715 a decrease of 3 million in comparison with the prior year. Non-spendable fund balance of \$441,790 includes material and supplies inventory, prepaid expenses, and unclaimed monies. Fund balance in the amount of \$21,093,644 is restricted to indicate that it is not available for new spending because it has already been restricted by parties outside of the City or pursuant to enabling legislation. It is restricted for economic development, inventory held for resale, debt service, police and municipal court operations, and capital projects. Fund balance in the amount of \$4,626,060 is committed to storm sewer maintenance and improvements, contractual obligations, and funds set aside for compensated absences and payroll reserve. Assigned fund balance includes \$2,705,552 for general governmental purchases on order in various departments.

The General Fund is the main operating fund of the City. The increase in fund balance is primarily due to a reduction in expenses for personal services resulting from the furlough of employees due to the COVID-19 pandemic. Other factors that assisted in the fund balance increase were an upturn in OBWC rebates received from the State and funding assistance for police and fire essential services from the Coronavirus Relief Fund grant.

Coronavirus Relief Fund Special Revenue Fund accounts for and reports Federal grants restricted to expenditures related to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) and includes medical expenses, public health and related measures, public health and safety personnel, equipment, and economic support for businesses and individuals.

The General Obligation Bond Retirement Fund accounts for the accumulation of resources to pay principal and interest on general obligation debt. The City's general obligation bond retirement fund's ending fund balance consists of accumulated excess payments in lieu of taxes received specifically restricted for debt service on the City's various urban renewal bonds and fire levy real estate tax revenue set aside for future debt service payments on the 2017 Fire Improvements Bond.

The Capital Improvements Fund accounts for State grants and loans, bond proceeds, transfers in and various other financing sources used for the construction of various improvements of the City. The increase in fund balance is directly related to the receipt of resources from capital financing activities and the accumulation of payments in lieu of taxes received designated for capital projects.

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LORAIN COUNTY, OHIO  
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*General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law, adopted by an ordinance of City Council 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. The General Fund is organized upon the basis of eighteen (18) departments each with its own set of line-item budgeted accounts. The recording of General Fund revenues and expenditures, along with original budget amounts, necessitates updates toward a final budget. Recommendations and requests for budget changes are referred to a City Council meeting for ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within account categories within departments within the same fund.

At the direction of Council, all capital projects and requests for capital type purchases must be reviewed and approved individually by Council. The General Fund supports many major activities such as the Police Department, Fire Department, Lorain Municipal Court and Building Department as well as the legislative and executive activities. Some economic development and capital projects are funded with General Fund dollars. By ordinance, these funds are transferred from the General Fund to various special revenue and capital improvement funds of the City where the revenue and expenditures for the projects are tracked and monitored.

During the course of 2020, the City amended its General Fund budget numerous times. The actual revenue amount was greater than the final budget. In 2020, the City reduced the revenue budget by over \$925,000 in an effort to account for anticipated declines in various revenue sources due to the COVID-19 pandemic. Conversely the City increased its expenditure budget by approximately \$407,000 overall primarily for critical police and fire department personnel and operations.

Corresponding amendments based on the above revenue alterations were made to the original appropriation budget in various departments.

Revenues and expenditures are constantly being reviewed by the Auditor's office for adherence to the budget approved by City Council. Financial reports are given to the Administration and City Council for their review. The Auditor's office also works with the department heads to manage their budgets.

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LORAIN COUNTY, OHIO  
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**Capital Assets and Debt Administration**

*Capital Assets*

**Table 3  
Capital Assets (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 9,997,407	\$ 9,688,731	\$ 1,081,975	\$ 1,081,975	\$ 11,079,382	\$ 10,770,706
Easements	6,670,008	6,670,008	-	-	6,670,008	6,670,008
Construction in Progress	13,991,462	14,837,279	14,696,124	16,718,769	28,687,586	31,556,048
Buildings and Improvements	14,249,423	13,471,964	17,108,295	17,865,076	31,357,718	31,337,040
Machinery and Equipment	12,980,825	11,560,943	10,330,543	9,890,308	23,311,368	21,451,251
Furniture and Fixtures	193,538	210,690	-	-	193,538	210,690
Infrastructure:						
Streets and Sidewalks	75,024,930	68,351,712	-	-	75,024,930	68,351,712
Water Lines	-	-	54,795,831	52,330,063	54,795,831	52,330,063
Sewer Lines	-	-	111,318,234	113,473,825	111,318,234	113,473,825
<i>Total Capital Assets</i>	<u>\$ 133,107,593</u>	<u>\$ 124,791,327</u>	<u>\$ 209,331,002</u>	<u>\$ 211,360,016</u>	<u>\$ 342,438,595</u>	<u>\$ 336,151,343</u>

The most significant increase in governmental capital assets was in infrastructure and equipment. The increase in infrastructure is due to the completion of various projects in the City and the corresponding deletion of construction in progress. The increase in machinery and equipment is predominately the result of the purchase of 30 police vehicles in 2020.

Business-type activities saw a decrease in construction in progress. The most significant project completed in 2020 was the State Route 611 (W. 21<sup>st</sup> St.) waterline replacement. The most significant construction in progress additions were the Black River Wastewater Treatment Plant mechanical bar screen upgrade, 2018 sewer relining project and 2020 sewer relining project. Other significant projects were continued or undertaken including the South Lorain phase II and III, East Lorain, and West Lorain waterline replacement projects, Martins Run lift station, and additional improvements to the City's waste water treatment plants.

City Council is committed along with the Administration to maintain its capital assets at a condition acceptable to provide the best possible service for all residents. The Administration continues to seek funding for infrastructure projects as well as improving City facilities and services.

See Note 10 of the Notes to the Basic Financial Statements for additional information on the City's capital assets.

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***Long-Term Obligations***

The City's long-term obligations are comprised of general obligation and special assessment bonds, long-term notes, loans (OWDA, HUD Section 108, ODOD, OPWC, ODOT, and installment), capital leases, pollution remediation, asset retirement obligation and compensated absences.

**Table 4  
Outstanding Long-Term Obligations at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 45,824,735	\$ 47,444,672	\$ -	\$ -	\$ 45,824,735	\$ 47,444,672
Special Assessment Bonds	874,107	966,127	-	-	874,107	966,127
Long Term Note	2,810,600	2,718,009	-	-	2,810,600	2,718,009
OWDA Loans	-	-	114,024,099	121,435,445	114,024,099	121,435,445
Net Pension Liability	44,883,658	57,959,557	10,031,583	13,563,882	54,915,241	71,523,439
Net OPEB Liability	13,099,510	12,256,555	6,875,873	6,314,628	19,975,383	18,571,183
ODOD Loan	314,064	441,457	-	-	314,064	441,457
OPWC Loans	1,755,331	1,843,921	-	-	1,755,331	1,843,921
ODOT Loans	6,868,821	7,859,315	-	-	6,868,821	7,859,315
Installment Loans	5,298,250	5,667,530	-	-	5,298,250	5,667,530
Capital Leases	2,198,999	1,783,591	1,164,800	1,569,904	3,363,799	3,353,495
Intergovernmental Payable	217,712	-	-	-	217,712	-
Pollution Remediation	1,140,066	1,140,066	-	-	1,140,066	1,140,066
Asset Retirement Obligation	-	-	384,425	384,425	384,425	384,425
Compensated Absences	7,608,507	6,748,162	1,599,094	1,571,277	9,207,601	8,319,439
<b>Total</b>	<b>\$ 132,894,360</b>	<b>\$ 146,828,962</b>	<b>\$ 134,079,874</b>	<b>\$ 144,839,561</b>	<b>\$ 266,974,234</b>	<b>\$ 291,668,523</b>

The twenty one general obligation bonds include the Riverfront, Heritage, and Lighthouse Village urban renewal bonds, the Health Claims bond issued to defer the cost of the City's self-insurance claims, various purpose refunding bonds issued to refinance the City's 1995 Various Purpose, 1999 Accrued Pension Fund Liability, and the 2002 Safety/Service bond, a refunding bond for the 2008 Pellet Terminal bond issued for the purchase and improvement of the old pellet terminal industrial site located on the Black River, and the 2017 Fire Improvement bond for fire station improvements and equipment. The remainder of the bonds were issued for various purposes including infrastructure improvements dating back to 1998.

The interest and principal on the general obligation bonds of the governmental activities are paid from real estate taxes, municipal income taxes, and payments in lieu of taxes in the case of the urban renewal bonds.

The four special assessment bonds consist of various street improvement projects. The debt service on these bonds is paid from real estate assessments on those property owners who benefitted from the improvements.

On June 17, 2020 the City issued \$2,800,000 in a Street Improvement Bond Anticipation Note for the Broadway Avenue Streetscape project at an annual interest rate of 1.25 percent that will mature on June 17, 2021. There are \$19,034 in unspent proceeds as of December 31, 2020.

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The thirty-seven Ohio Water Development Authority (OWDA) loans are for water and sewer projects dating back to 2000. The major loans are for waterline replacements and projects related to the sanitary sewer overflow (SSO) project mandated by the Environmental Protection Agency.

The Ohio Department of Development (ODOD) urban redevelopment loan is for the purpose of land acquisition, infrastructure, and site preparation within the Colorado Avenue Industrial Area Urban Renewal Plan Area.

The thirteen Ohio Public Works Commission (OPWC) loans represent interest free loans obtained to finance road improvement projects throughout the City. These loans are paid from monies transferred into the General Obligation Debt Service Fund from the General Fund.

The eleven Ohio Department of Transportation (ODOT) state infrastructure bank (SIB) loans are for the rehabilitation and repaving of State Routes 57, 58 and 611, North Ridge Road, phase I of the Oberlin Avenue project and various local roadways. A portion of the debt service paid is from state gas tax revenue and municipal income tax revenue pledged from the Streets fund and permissive license tax revenue pledged from the Permissive License fund.

The installment loans are for engineering services performed by the Lorain County engineer for road construction projects and for road improvements. A portion of the debt service is paid from municipal income tax revenue pledged from the Streets fund.

During 2020, the City entered into a lease for 30 patrol vehicles for the police department. In previous years the City entered into a lease for equipment and fleet vehicles for streets, parks, cemetery building department, water and water pollution control. Included in the lease are fleet vehicles consisting of pickup trucks and vans, dump trucks, a mini excavator, a tractor, equipment trailers, an asphalt recycler, diesel pumps, a camera truck, a jet/vactor combination truck, and zero turn mowers. The City also entered into leases for police cruisers, acquisition of computer hardware and software to upgrade the City's existing general accounting, utilities, and income tax systems, street, electrical, parks, cemetery, general sewer, fire, water, and water pollution control equipment, fleet vehicles, an IP phone system and software. The minimum lease payments required are paid from the General Fund, Streets, Cemetery, Parkland and Police Levy Special Revenue funds, and the Water Works and Water Pollution Control Enterprise funds.

The pollution remediation includes the estimated costs associated with the cleanup of environmental contamination on various sites along the Black River and at the former National Vapor Stove and Manufacturing Company (Stoveworks) industrial site.

The compensated absence category represents the dollar value of accumulated but unused sick leave and vacation time at year end. The liability represents amounts that will either be taken as leave or paid out upon termination or retirement. For additional information, please see note 14 to the basic financial statements.

On October 30, 2020, Moody's Investors Service issued a new rating action. The City of Lorain's general obligation limited tax rating was upgraded from Baa2 with a positive outlook to Baa1 with a stable outlook.



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According to the Credit Opinion issued by Moody's, the Baa1 rating reflects the continued improvement in the City's General Fund operating fund balance over the last several years and the stability of the City's top employers. In addition, the rating also reflects the City's healthy alternate liquidity to internally support cash flow needs.

See Notes 12 and 13 to the basic financial statements for additional information on the City's outstanding debt obligations.

**Economic Factors and Current Financial Issues**

In its continuing effort to address economic issues affecting the City, management continues to promote diversification of employment within its boundaries. Although the steel industry remains a component of the City's economy, the diversity being realized has had a stabilizing effect on revenues. In 2019, health care remained steady as Mercy Health and Cleveland Clinic ranked first and third in the top employers in the City. A total of 2,502 employees at both facilities worked during 2019. Lorain City School district ranked second, Camaco, LLC, the largest independent supplier of engineered seat frames to the North American automotive industry, ranked fourth, and Wal-Mart, a retail establishment, ranked fifth in employment within the City. In December, 2020 unemployment rate for the City was 10.2 percent, up from 5.9 percent in December 2019. Meanwhile, the December 2020 unemployment rate for Lorain County was 6.1 percent and the State of Ohio was 5.2 percent (based on the Ohio Job & Family Services, Office of Workforce Development). The COVID-19 pandemic has caused a significant escalation in unemployment throughout the United States of America during 2020.

The City's 2020 residential/agricultural real estate property values declined slightly over the prior year. In 2020, property tax collections were the General Fund's third largest source of revenue. In 2020, the City collected \$2,159,963 from the property tax collections for the General Fund. This was \$33,972 less than that collected in 2019.

On an annual basis, personnel costs equal approximately 77% of the City's General Fund expenditures. In 2020 a five-percent increase was given to the firefighters, through a memorandum of understanding, and managers and non-bargaining employees of the City received a 1.667% increase. Personnel costs continue to be the General fund's largest and most challenging expenditure. Current employment contracts with the various bargaining units within the City expired December 31, 2019 and are still in negotiations at the end of 2020. These negotiations will require careful analysis to ensure current revenue streams can continue to meet the requirements for personnel costs.

The City's housing growth continued into 2020. The Villages at Lighthouse Point is a \$62 million-dollar development with an estimated 300 apartments. Phase I and II of the development is now complete with 198 units constructed along with a clubhouse. Phase III of the project is set to begin in 2021. The Cornerstone Farms, a 151 home project which began in late 2017, currently has completed several homes. Phase I and II are complete and phase three is set to begin in 2021. Total new home construction permits issued by the City in 2020 were 117 with an estimated value of \$15.2 million. Additionally, existing home sales within the City were extremely active in 2020. Affordable housing continues to be a priority for the City.

Other projects in the City include the Broadway Avenue Streetscape and the Broadway Hotel. The Broadway Avenue Streetscape project begins at West 10<sup>th</sup> Street and goes north to West Erie Avenue and includes street improvements, new sidewalks, curbs, lighting, landscaping, signage and handicap ramps.

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The total cost of the project is estimated at \$3.6 million. The project was completed in February 2020. The Broadway Hotel project was undertaken by a private developer and opened a 55 room hotel in downtown Lorain that also includes a rooftop and fourth floor event space, restaurant and additional office and retail space. The project will cost an estimated \$10 million and opened in March 2020. Both of these projects were undertaken in an effort to revitalize the City's downtown area to attract new businesses and to promote tourism in the area.

A new Meijer supercenter retail store was constructed and opened in the summer of 2020. The 155,000 square foot building features groceries including a bakery, a fresh meat counter and a deli, a garden center, pharmacy, electronics, toys, sporting goods, household goods, and clothing.

During 2020 the City, along with the United States as a whole, experienced extraordinary circumstances revolving around the COVID-19 pandemic. Businesses were shut down, unemployment took a dramatic turn for the worse and the health and welfare of our citizens became the City's preponderate focus. Despite the pandemic the City has managed to maintain services to its citizens and encourage growth throughout our economy. The City still expects some challenges regarding revenue shortfalls in the next couple of years, particularly income tax, due to the pandemic but maintain that our economy has diversified sufficiently to weather the storm.

The City's Administration along with the Building, Housing and Planning department and the Lorain Port Authority remain diligent in working together to bring jobs and further development to the City.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests.

Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Karen A. Shawver, Auditor  
[Karen\\_Shawver@cityoflorain.org](mailto:Karen_Shawver@cityoflorain.org)

or

Anita J. Harper, Chief Deputy Auditor  
[Anita\\_Harper@cityoflorain.org](mailto:Anita_Harper@cityoflorain.org)

City of Lorain  
200 W. Erie Ave. – 6th Floor  
Lorain, OH 44052-164

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 30,695,123	\$ 46,505,178	\$ 77,200,301
Cash and Cash Equivalents:			
In Segregated Accounts	80,760	-	80,760
With Fiscal Agents	132,624	72,877	205,501
Materials and Supplies Inventory	932,914	635,030	1,567,944
Accounts Receivable	300,401	4,530,465	4,830,866
Accrued Interest Receivable	35,015	-	35,015
Intergovernmental Receivable	3,348,085	108,693	3,456,778
Internal Balances	(640,158)	640,158	-
Prepaid Items	174,511	41,545	216,056
Municipal Income Taxes Receivable	4,125,979	-	4,125,979
Property Taxes Receivable	6,101,011	-	6,101,011
Payments in Lieu of Taxes Receivable	1,344,340	-	1,344,340
Loans Receivable	5,721,343	28,122	5,749,465
Special Assessments Receivable	2,297,985	-	2,297,985
Assets held for Resale	1,430,616	-	1,430,616
Nondepreciable Capital Assets	30,658,877	15,778,099	46,436,976
Depreciable Capital Assets	102,448,716	193,552,903	296,001,619
<b>Total Assets</b>	<b>189,188,142</b>	<b>261,893,070</b>	<b>451,081,212</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferral on Refunding	636,275	-	636,275
Asset Retirement Obligation	-	123,016	123,016
Pension	6,999,475	1,707,419	8,706,894
OPEB	4,370,479	1,237,026	5,607,505
<b>Total Deferred Outflows of Resources</b>	<b>12,006,229</b>	<b>3,067,461</b>	<b>15,073,690</b>
<b>LIABILITIES</b>			
Accounts Payable	1,319,708	630,103	1,949,811
Contracts Payable	115,606	180,395	296,001
Accrued Wages and Benefits	1,555,598	538,173	2,093,771
Intergovernmental Payable	596,440	180,902	777,342
Matured Compensated Absences Payable	166,203	-	166,203
Accrued Interest Payable	238,932	-	238,932
Retainage Payable	85,947	4,507	90,454
Claims Payable	643,290	-	643,290
Unearned Revenue	1,226,752	-	1,226,752
Long-term Liabilities:			
Due within one year	10,414,238	8,269,568	18,683,806
Due in more than one year:			
Net Pension Liability	44,883,658	10,031,583	54,915,241
Net OPEB Liability	13,099,510	6,875,873	19,975,383
Asset Retirement Obligation	-	384,425	384,425
Other amounts	64,496,954	108,518,425	173,015,379
<b>Total Liabilities</b>	<b>138,842,836</b>	<b>135,613,954</b>	<b>274,456,790</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	5,067,306	-	5,067,306
Payments in Lieu of Taxes	1,344,340	-	1,344,340
Pension	8,526,047	2,127,908	10,653,955
OPEB	3,678,771	986,210	4,664,981
<b>Total Deferred Inflows of Resources</b>	<b>18,616,464</b>	<b>3,114,118</b>	<b>21,730,582</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	72,010,544	94,214,980	166,225,524
Restricted for:			
Capital Projects	1,323,663	72,877	1,396,540
Utility Reserve	-	2,367,377	2,367,377
Debt Service	1,221,009	-	1,221,009
Police	1,851,892	-	1,851,892
Fire	657,347	-	657,347
Streets	3,916,086	-	3,916,086
Community Development	12,715,996	-	12,715,996
Municipal Courts	80,219	-	80,219
Other Purposes	39,780	-	39,780
Unrestricted	(50,081,465)	29,577,225	(20,504,240)
<b>Total Net Position</b>	<b>\$ 43,735,071</b>	<b>\$ 126,232,459</b>	<b>\$ 169,967,530</b>

See accompanying notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
Security of Persons and Property	\$ 28,485,061	\$ 1,207,403	\$ 4,378,931	\$ 215,482	\$ (22,683,245)	\$ -	\$ (22,683,245)
Public Health	720,096	188,097	432,187	-	(99,812)	-	(99,812)
Leisure Time Activities	653,704	21,382	-	-	(632,322)	-	(632,322)
Community and Environment	6,845,478	913,934	5,633,547	-	(297,997)	-	(297,997)
Transportation	6,766,499	73,105	4,241,139	390,846	(2,061,409)	-	(2,061,409)
General Government	15,257,039	7,970,527	1,194,302	380,411	(5,711,799)	-	(5,711,799)
Economic Development	2,887,118	173,493	2,111,470	-	(602,155)	-	(602,155)
Interest and Fiscal Charges	2,522,945	-	-	-	(2,522,945)	-	(2,522,945)
<i>Total Governmental activities</i>	<u>64,137,940</u>	<u>10,547,941</u>	<u>17,991,576</u>	<u>986,739</u>	<u>(34,611,684)</u>	<u>-</u>	<u>(34,611,684)</u>
<b>Business-type activities:</b>							
Water Works	12,030,668	14,971,896	-	-	-	2,941,228	2,941,228
Water Pollution Control	15,767,586	19,425,430	-	-	-	3,657,844	3,657,844
<i>Total Business-type activities</i>	<u>27,798,254</u>	<u>34,397,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,599,072</u>	<u>6,599,072</u>
<i>Total</i>	<u>\$ 91,936,194</u>	<u>\$ 44,945,267</u>	<u>\$ 17,991,576</u>	<u>\$ 986,739</u>	<u>(34,611,684)</u>	<u>6,599,072</u>	<u>(28,012,612)</u>
<b>General Revenues:</b>							
Property Taxes levied for:							
General Purposes					2,163,112	-	2,163,112
Debt Service Purpose					760,716	-	760,716
Police Pension					228,215	-	228,215
Fire Pension					228,215	-	228,215
Fire Levy					1,364,185	-	1,364,185
Municipal Income Taxes levied for:							
General Purposes					20,181,553	-	20,181,553
Streets					2,444,435	-	2,444,435
Police Levy					2,444,435	-	2,444,435
Franchise Fees					649,336	-	649,336
Payments in Lieu of Taxes					1,248,626	-	1,248,626
Grants & Entitlements not restricted to specific programs					3,721,124	-	3,721,124
Investment Income					778,393	-	778,393
All Other Revenues					3,032,556	679,717	3,712,273
Total General Revenues					<u>39,244,901</u>	<u>679,717</u>	<u>39,924,618</u>
Transfers					71,037	(71,037)	-
Total General Revenues and Transfers					<u>39,315,938</u>	<u>608,680</u>	<u>39,924,618</u>
Change in Net Position					4,704,254	7,207,752	11,912,006
Net Position - Beginning of Year, Restated					<u>39,030,817</u>	<u>119,024,707</u>	<u>158,055,524</u>
<b>Net Position - End of Year</b>					<u>\$ 43,735,071</u>	<u>\$ 126,232,459</u>	<u>\$ 169,967,530</u>

See accompanying notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General Fund	Coronavirus Relief	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 11,438,838	\$ 518,385	\$ 1,420,257	\$ 1,614,565	\$ 14,444,744	\$ 29,436,789
Cash and Cash Equivalents:						
In Segregated Accounts	80,760	-	-	-	-	80,760
With Fiscal Agents	59,463	-	-	-	73,161	132,624
Materials and Supplies Inventory	22,491	-	-	-	192,720	215,211
Accrued Interest Receivable	35,015	-	-	-	-	35,015
Accounts Receivable	170,208	-	28,472	101,721	-	300,401
Interfund Receivable	229,341	-	-	-	29,667	259,008
Intergovernmental Receivable	1,511,030	-	67,000	-	1,770,055	3,348,085
Prepaid Items	112,332	1,770	-	-	56,079	170,181
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	56,398	-	-	-	-	56,398
Municipal Income Taxes Receivable	3,300,783	-	-	-	825,196	4,125,979
Property Taxes Receivable	2,854,880	-	990,029	-	2,256,102	6,101,011
Special Assessments Receivable	1,088,733	-	-	-	1,209,252	2,297,985
Loans Receivable	-	-	-	-	5,721,343	5,721,343
Payments in Lieu of Taxes Receivable	-	-	959,094	171,891	213,355	1,344,340
Assets held for Resale	-	-	-	-	1,430,616	1,430,616
<b>Total Assets</b>	<u>\$ 20,960,272</u>	<u>\$ 520,155</u>	<u>\$ 3,464,852</u>	<u>\$ 1,888,177</u>	<u>\$ 28,222,290</u>	<u>\$ 55,055,746</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 267,637	\$ 125,933	\$ -	\$ 378,151	\$ 526,832	\$ 1,298,553
Accrued Wages and Benefits	1,072,709	-	-	-	460,178	1,532,887
Contracts Payable	600	-	-	98,952	16,054	115,606
Intergovernmental Payable	455,886	-	-	-	130,928	586,814
Matured Compensated Absences Payable	153,323	-	-	-	12,880	166,203
Retainage Payable	-	-	-	85,947	-	85,947
Interfund Payable	58,689	-	-	-	304,860	363,549
Unearned Revenue	834,300	392,452	-	-	-	1,226,752
<b>Total Liabilities</b>	<u>2,843,144</u>	<u>518,385</u>	<u>-</u>	<u>563,050</u>	<u>1,451,732</u>	<u>5,376,311</u>
<b>Deferred Inflows of Resources:</b>						
Property Taxes	2,367,728	-	818,663	-	1,880,915	5,067,306
Payments in Lieu of Taxes	-	-	959,094	171,891	213,355	1,344,340
Unavailable Revenue - Delinquent Property Taxes	487,152	-	171,366	-	375,187	1,033,705
Unavailable Revenue - Municipal Income Taxes	1,128,722	-	-	-	282,180	1,410,902
Unavailable Revenue - Other	2,189,930	-	95,472	101,721	2,320,344	4,707,467
<b>Total Deferred Inflows of Resources</b>	<u>6,173,532</u>	<u>-</u>	<u>2,044,595</u>	<u>273,612</u>	<u>5,071,981</u>	<u>13,563,720</u>
<b>Fund Balances:</b>						
Nonspendable	191,221	1,770	-	-	248,799	441,790
Restricted	66,253	-	1,420,257	1,051,515	18,555,619	21,093,644
Committed	1,635,501	-	-	-	2,990,559	4,626,060
Assigned	2,705,552	-	-	-	-	2,705,552
Unassigned	7,345,069	-	-	-	(96,400)	7,248,669
<b>Total Fund Balances</b>	<u>11,943,596</u>	<u>1,770</u>	<u>1,420,257</u>	<u>1,051,515</u>	<u>21,698,577</u>	<u>36,115,715</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 20,960,272</u>	<u>\$ 520,155</u>	<u>\$ 3,464,852</u>	<u>\$ 1,888,177</u>	<u>\$ 28,222,290</u>	<u>\$ 55,055,746</u>

See accompanying notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2020**

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**Total Governmental Funds Balance** \$ 36,115,715

*Amounts reported for Governmental Activities in the Statement of Net Position are different because:*

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 133,107,593

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenues in the funds:

Delinquent property taxes	1,033,705	
Municipal income taxes	1,410,902	
Special assessments	2,297,985	
Intergovernmental	2,212,234	
Charges for services	28,472	
Franchise Fees	168,776	
Total	7,152,074	7,152,074

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (238,932)

Internal Service funds are used by management to charge the costs of certain activities, such as insurance and other services to individual funds. The assets and liabilities of the Internal Service funds are included in Governmental Activities in the Statement of Net Position. 691,570

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 of resources are not reported in governmental funds:

Deferred Outflows - Pension	6,999,475	
Deferred Inflows - Pension	(8,526,047)	
Net Pension Liability	(44,883,658)	
Deferred Outflows - OPEB	4,370,479	
Deferred Inflows - OPEB	(3,678,771)	
Net OPEB Liability	(13,099,510)	
Total	(58,818,032)	(58,818,032)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(44,486,070)	
Special assessment bonds	(873,931)	
Long-term bond anticipation notes	(2,800,000)	
OPWC Loans	(1,755,331)	
State Infrastructure Bank Loans	(6,868,821)	
Other Loans	(5,612,314)	
Unamortized premiums	(1,414,375)	
Unamortized discounts	64,934	
Deferral on refundings	636,275	
Compensated absences	(7,608,507)	
Capital leases	(2,198,999)	
Pollution Remediation	(1,140,066)	
Intergovernmental payable	(217,712)	
Total	(74,274,917)	(74,274,917)

**Net Position of Governmental Activities** \$ 43,735,071

See accompanying notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Coronavirus Relief	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property Taxes	\$ 2,159,963	\$ -	\$ 759,406	\$ -	\$ 1,818,388	\$ 4,737,757
Municipal Income Taxes	20,463,717	-	-	-	4,959,412	25,423,129
Payments in Lieu of Taxes	-	-	937,747	160,163	150,716	1,248,626
Intergovernmental	3,594,512	6,887,332	133,483	390,846	11,202,209	22,208,382
Interest	684,498	-	141	38,688	20,051	743,378
Fees, Licenses, and Permits	1,069,807	-	-	-	200,613	1,270,420
Fines and Forfeitures	788,784	-	-	-	790,092	1,578,876
Charges for Services	1,093,994	-	-	-	6,537,161	7,631,155
Special Assessments	-	-	-	-	104,350	104,350
All Other Revenues	2,222,062	-	1,200	1,416	775,663	3,000,341
Franchise Fees	480,560	-	-	-	-	480,560
<b>Total Revenues</b>	<b>32,557,897</b>	<b>6,887,332</b>	<b>1,831,977</b>	<b>591,113</b>	<b>26,558,655</b>	<b>68,426,974</b>
<b>EXPENDITURES</b>						
Current:						
Security of Persons and Property	18,179,248	4,468,719	-	-	3,722,091	26,370,058
Public Health	304,739	401,411	-	-	-	706,150
Leisure Time Activities	500,066	-	-	-	-	500,066
Community and Environment	874,833	168,752	-	-	5,569,624	6,613,209
Transportation	-	-	-	-	4,131,415	4,131,415
Economic Development	20,593	903,161	-	-	1,804,116	2,727,870
General Government	7,418,083	943,519	30,821	339,880	4,803,530	13,535,833
Capital Outlay	-	-	-	9,348,278	2,707,820	12,056,098
Debt Service:						
Principal Retirement	253,124	-	5,740,015	-	1,248,376	7,241,515
Interest and Fiscal Charges	20,332	-	1,923,725	-	137,221	2,081,278
Debt Issuance Costs	-	-	231,638	-	4,117	235,755
<b>Total Expenditures</b>	<b>27,571,018</b>	<b>6,885,562</b>	<b>7,926,199</b>	<b>9,688,158</b>	<b>24,128,310</b>	<b>76,199,247</b>
Excess of Revenues (Under) Expenditures	4,986,879	1,770	(6,094,222)	(9,097,045)	2,430,345	(7,772,273)
<b>OTHER FINANCING SOURCES (USES)</b>						
Inception of Capital Lease	625,000	-	-	-	625,000	1,250,000
Long-term Bond Anticipation Notes Issued	-	-	2,203,700	-	596,300	2,800,000
Loans Issued	-	-	-	86,166	-	86,166
Refunding Bonds Issued	-	-	10,320,000	-	-	10,320,000
Premium on Debt Issuance	-	-	1,173,757	-	4,926	1,178,683
Refunding Bonds Escrow	-	-	(11,519,801)	-	-	(11,519,801)
Transfers In	103,982	-	4,546,717	936,000	116,258	5,702,957
Transfers Out	(1,259,668)	-	-	-	(4,368,391)	(5,628,059)
<b>Total Other Financing Sources (Uses)</b>	<b>(530,686)</b>	<b>-</b>	<b>6,724,373</b>	<b>1,022,166</b>	<b>(3,025,907)</b>	<b>4,189,946</b>
Net Change in Fund Balances	4,456,193	1,770	630,151	(8,074,879)	(595,562)	(3,582,327)
Fund Balances - Beginning of Year, Restated	7,487,403	-	790,106	9,126,394	22,294,139	39,698,042
<b>Fund Balances - End of Year</b>	<b>\$ 11,943,596</b>	<b>\$ 1,770</b>	<b>\$ 1,420,257</b>	<b>\$ 1,051,515</b>	<b>\$ 21,698,577</b>	<b>\$ 36,115,715</b>

See accompanying notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, 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**

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**Net Change in Fund Balances-Total Governmental Funds** \$ (3,582,327)

*Amounts reported for Governmental Activities in the Statement of Activities are different because:*

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

Capital Outlay	13,169,398	
Depreciation	(4,302,557)	
Total		8,866,841

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (550,575)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	6,686	
Municipal income taxes	(352,706)	
Special assessments	124,367	
Intergovernmental	173,933	
Charges for services	28,472	
Franchise Fees	168,776	
Total		149,528

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of capital leases, bonds, notes, loans, and an intergovernmental payable and the related premiums. (18,637,049)

Repayment of long term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 21,146,003

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

Pension		3,982,274
OPEB		80,365

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension		(5,176,284)
OPEB		(1,317,502)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated absences	(860,345)	
Accrued interest on bonds	48,502	
Amortization of bond premiums and discounts	53,049	
Amortization of loss on refunding	179,846	
Total		(578,948)

Internal Service funds are used by management to charge costs to certain activities, such as insurance and other services to individual funds. The net revenue (expense) of Internal Service funds are reported in the Governmental Activities. 321,928

**Change in Net Position of Governmental Activities** \$ 4,704,254

See accompanying notes to the basic financial statements.



**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET (NON-GAAP BASIS) AND ACTUAL –  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 2,182,914	\$ 2,182,914	\$ 2,159,963	\$ (22,951)
Municipal Income Taxes	20,942,457	20,692,457	20,159,161	(533,296)
Other Taxes	650,000	650,000	644,761	(5,239)
Intergovernmental	3,621,109	3,563,921	3,637,071	73,150
Interest	600,000	200,000	223,435	23,435
Fees, Licenses and Permits	961,250	960,350	963,748	3,398
Fines and Forfeitures	1,139,000	914,000	807,915	(106,085)
Charges for Services	1,093,765	1,093,765	1,093,937	172
All Other Revenues	155,199	162,644	2,138,979	1,976,335
<b>Total Revenues</b>	<u>31,345,694</u>	<u>30,420,051</u>	<u>31,828,970</u>	<u>1,408,919</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	19,855,706	20,244,518	18,271,957	1,972,561
Public Health Services	343,263	351,813	308,178	43,635
Leisure Time Activities	669,738	656,258	537,950	118,308
Community Environment	982,672	952,124	880,539	71,585
General Government	8,581,985	8,635,797	7,682,530	953,267
Debt Service				
Principal Retirement	197,604	197,604	197,024	580
Interest and Fiscal Charges	11,900	11,900	11,849	51
<b>Total Expenditures</b>	<u>30,642,868</u>	<u>31,050,014</u>	<u>27,890,027</u>	<u>3,159,987</u>
Excess of Revenues Over (Under) Expenditures	702,826	(629,963)	3,938,943	4,568,906
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	-	625,000	625,000	-
Advances Out	-	(250,000)	(229,341)	20,659
Transfers In	96,555	96,555	-	(96,555)
Transfers Out	(1,760,554)	(1,497,417)	(1,497,417)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(1,663,999)</u>	<u>(1,025,862)</u>	<u>(1,101,758)</u>	<u>(75,896)</u>
Net Change in Fund Balance	(961,173)	(1,655,825)	2,837,185	4,493,010
Fund Balance Beginning of Year	2,739,758	2,739,758	2,739,758	-
Prior Year Encumbrances	528,374	528,374	528,374	-
Fund Balance End of Year	<u>\$ 2,306,959</u>	<u>\$ 1,612,307</u>	<u>\$ 6,105,317</u>	<u>\$ 4,493,010</u>

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
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		
<b>Revenues:</b>				
Intergovernmental	\$ 7,279,784	\$ 7,279,784	\$ 7,279,784	\$ -
<i>Total Revenues</i>	<u>7,279,784</u>	<u>7,279,784</u>	<u>7,279,784</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
<i>General Government</i>	1,337,741	1,337,741	995,060	342,681
<i>Security of Persons and Property</i>	4,468,719	4,468,719	4,468,719	-
<i>Public Health</i>	401,411	401,411	401,411	-
<i>Community Environment</i>	168,752	168,752	168,752	-
<i>Economic Development</i>	903,161	903,161	903,161	-
<i>Total Expenditures</i>	<u>7,279,784</u>	<u>7,279,784</u>	<u>6,937,103</u>	<u>342,681</u>
<i>Net Change in Fund Balance</i>	-	-	342,681	342,681
<i>Fund Balance Beginning of Year</i>	-	-	-	-
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,681</u>	<u>\$ 342,681</u>

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2020**

	<b>Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Works</b>	<b>Water Pollution Control</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 24,239,419	\$ 19,898,382	\$ 44,137,801	\$ 1,201,936
Materials and Supplies Inventory	597,863	37,167	635,030	717,703
Accounts Receivable	2,097,099	2,433,366	4,530,465	-
Interfund Receivable	-	1,937	1,937	119,137
Intergovernmental Receivable	-	108,693	108,693	-
Prepaid Items	6,275	35,270	41,545	4,330
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	600,364	1,767,013	2,367,377	-
With Fiscal Agents	39,733	33,144	72,877	-
Loans Receivable	-	13,687	13,687	-
<b>Total Current Assets</b>	<b>27,580,753</b>	<b>24,328,659</b>	<b>51,909,412</b>	<b>2,043,106</b>
<b>Noncurrent Assets:</b>				
Loans Receivable	-	14,435	14,435	-
<b>Capital Assets:</b>				
Construction in Progress	9,440,872	6,337,227	15,778,099	-
Depreciable Assets, Net of Depreciation	62,022,058	131,530,845	193,552,903	166,173
<b>Total Noncurrent Assets</b>	<b>71,462,930</b>	<b>137,882,507</b>	<b>209,345,437</b>	<b>166,173</b>
<b>Total Assets</b>	<b>99,043,683</b>	<b>162,211,166</b>	<b>261,254,849</b>	<b>2,209,279</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Asset Retirement Obligation	123,016	-	123,016	-
Pension	810,437	896,982	1,707,419	75,627
OPEB	587,161	649,865	1,237,026	54,792
<b>Total Deferred Outflows of Resources</b>	<b>1,520,614</b>	<b>1,546,847</b>	<b>3,067,461</b>	<b>130,419</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	151,102	479,001	630,103	21,155
Accrued Wages and Benefits	239,977	298,196	538,173	22,711
Compensated Absences Payable	4,897	102,326	107,223	-
Contracts Payable	50,958	129,437	180,395	-
Retainage Payable	-	4,507	4,507	-
Intergovernmental Payable	81,533	99,369	180,902	9,626
Interfund Payable	9,280	7,253	16,533	-
Accrued Interest Payable	-	-	-	2,956
Claims Payable	-	-	-	643,290
General Obligation Bonds Payable	-	-	-	540,000
OWDA Loans Payable	2,703,107	5,038,342	7,741,449	-
Capital Leases Payable	193,071	227,825	420,896	-
<b>Total Current Liabilities</b>	<b>3,433,925</b>	<b>6,386,256</b>	<b>9,820,181</b>	<b>1,239,738</b>
<b>Noncurrent Liabilities:</b>				
Compensated Absences Payable	581,924	909,947	1,491,871	60,201
General Obligation Bonds Payable	-	-	-	2,205,000
OWDA Loans Payable	43,163,287	63,119,363	106,282,650	-
Capital Leases Payable	341,239	402,665	743,904	-
Asset Retirement Obligation	384,425	-	384,425	-
Net Pension Liability	4,761,549	5,270,034	10,031,583	444,337
Net OPEB Liability	3,263,673	3,612,200	6,875,873	304,559
<b>Total Noncurrent Liabilities</b>	<b>52,496,097</b>	<b>73,314,209</b>	<b>125,810,306</b>	<b>3,014,097</b>
<b>Total Liabilities</b>	<b>55,930,022</b>	<b>79,700,465</b>	<b>135,630,487</b>	<b>4,253,835</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	1,010,024	1,117,884	2,127,908	94,253
OPEB	468,110	518,100	986,210	43,682
<b>Total Deferred Inflows of Resources</b>	<b>1,478,134</b>	<b>1,635,984</b>	<b>3,114,118</b>	<b>137,935</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	25,101,959	69,113,021	94,214,980	166,173
<b>Restricted for:</b>				
Capital Projects	39,733	33,144	72,877	-
Utility Reserve	600,364	1,767,013	2,367,377	-
Unrestricted	17,414,085	11,508,386	28,922,471	(2,218,245)
<b>Total Net Position</b>	<b>\$ 43,156,141</b>	<b>\$ 82,421,564</b>	<b>125,577,705</b>	<b>\$ (2,052,072)</b>

Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets are included with business-type activities

Net position business-type activities

654,754

\$ 126,232,459

See accompany notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 14,971,896	\$ 19,425,430	\$ 34,397,326	\$ 9,284,222
Miscellaneous	135,277	544,440	679,717	1,890
<b>Total Operating Revenues</b>	<u>15,107,173</u>	<u>19,969,870</u>	<u>35,077,043</u>	<u>9,286,112</u>
<b>OPERATING EXPENSES</b>				
Salaries	3,358,476	4,159,514	7,517,990	398,681
Fringe Benefits	2,192,341	2,599,786	4,792,127	276,932
Materials and Supplies	1,272,164	1,006,292	2,278,456	1,097,136
Utilities	449,367	746,399	1,195,766	-
Contractual Services	1,066,500	1,317,330	2,383,830	70,664
Depreciation	1,767,205	3,241,587	5,008,792	6,327
Claims	-	-	-	6,962,706
Other	352,832	857,420	1,210,252	-
<b>Total Operating Expense</b>	<u>10,458,885</u>	<u>13,928,328</u>	<u>24,387,213</u>	<u>8,812,446</u>
Operating Income	<u>4,648,288</u>	<u>6,041,542</u>	<u>10,689,830</u>	<u>473,666</u>
<b>NONOPERATING (EXPENSES)</b>				
Loss on Sale of Capital Assets	(13,003)	(19,150)	(32,153)	-
Interest and Fiscal Charges	(1,617,433)	(1,891,641)	(3,509,074)	(235,701)
<b>Total Nonoperating (Expenses)</b>	<u>(1,630,436)</u>	<u>(1,910,791)</u>	<u>(3,541,227)</u>	<u>(235,701)</u>
Transfers Out	(33,387)	(37,650)	(71,037)	(3,861)
Change in Net Position	<u>2,984,465</u>	<u>4,093,101</u>	<u>7,077,566</u>	<u>234,104</u>
Net Position - Beginning of Year, Restated	<u>40,171,676</u>	<u>78,328,463</u>		<u>(2,286,176)</u>
<b>Net Position - End of Year</b>	<u>\$ 43,156,141</u>	<u>\$ 82,421,564</u>		<u>\$ (2,052,072)</u>

Some amounts reported for business-type activities in the statement of activities are different because internal service fund assets are included with business-type activities

Change in net position business-type activities \$ 7,207,752

See accompany notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Charges for Services	\$ 15,464,104	\$ 19,494,259	\$ 34,958,363	\$ 9,269,323
Other Cash Receipts	135,277	567,152	702,429	1,890
Cash Payments to Employees for Services and Benefits	(4,587,061)	(5,794,443)	(10,381,504)	(606,749)
Cash Payments for Goods and Services	(2,741,712)	(3,165,351)	(5,907,063)	(810,341)
Cash Payments for Claims	-	-	-	(6,596,077)
Other Cash Payments	(319,976)	(489,413)	(809,389)	-
Net Cash Provided by Operating Activities	<u>7,950,632</u>	<u>10,612,204</u>	<u>18,562,836</u>	<u>1,258,046</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash overdraft position assumed to be financed	-	-	-	(52,365)
Transfers Out	(33,387)	(37,650)	(71,037)	(3,861)
Net Cash (Used in) Noncapital Financing Activities	<u>(33,387)</u>	<u>(37,650)</u>	<u>(71,037)</u>	<u>(56,226)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Grants Received	-	-	-	2,745,000
Proceeds from OWDA Loans	229,188	1,115,037	1,344,225	-
Principal Paid on Debt	(3,345,245)	(5,815,430)	(9,160,675)	(2,585,000)
Interest Paid on Debt	(1,617,431)	(1,891,643)	(3,509,074)	(247,508)
Payments for Capital Acquisitions	(615,446)	(2,722,551)	(3,337,997)	-
Net Cash Used in Capital and Related Financing Activities	<u>(5,348,934)</u>	<u>(9,314,587)</u>	<u>(14,663,521)</u>	<u>(87,508)</u>
Net Increase in Cash and Cash Equivalents	2,568,311	1,259,967	3,828,278	1,114,312
Cash and Cash Equivalents - Beginning of Year, restated	22,311,205	20,438,572	42,749,777	87,624
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 24,879,516</u>	<u>\$ 21,698,539</u>	<u>\$ 46,578,055</u>	<u>\$ 1,201,936</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 4,648,288	\$ 6,041,542	\$ 10,689,830	\$ 473,666
Adjustments:				
Depreciation	1,767,205	3,241,587	5,008,792	6,327
(Increase) Decrease in Assets and Deferred Outflows of Resources:				
Accounts Receivable	492,168	155,112	647,280	-
Intergovernmental Receivable	-	(84,937)	(84,937)	-
Materials and Supplies Inventory	22,111	15,091	37,202	380,037
Prepaid Items	33,254	(25,009)	8,245	(743)
Interfund Receivable	40	(1,346)	(1,306)	(14,899)
Loans Receivable	-	22,712	22,712	-
Deferred Outflows - Asset Retirement Obligation	7,689	-	7,689	-
Deferred Outflows - Pension	1,251,722	1,330,051	2,581,773	108,331
Deferred Outflows - OPEB	(307,693)	(340,552)	(648,245)	(28,713)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:				
Accounts Payable	42,716	296,380	339,096	(26,036)
Contracts Payable	(24,770)	(7,566)	(32,336)	-
Accrued Wages and Benefits	30,882	41,751	72,633	2,283
Compensated Absences Payable	40,430	(12,613)	27,817	(4,768)
Intergovernmental Payable	21,449	27,421	48,870	3,091
Interfund Payable	(1,825)	(6,219)	(8,044)	-
Claims Payable	-	-	-	370,830
Net Pension Liability	(1,676,626)	(1,855,673)	(3,532,299)	(156,459)
Net OPEB Liability	266,398	294,847	561,245	24,860
Deferred Inflows - Pension	918,308	1,016,006	1,934,314	81,150
Deferred Inflows - OPEB	418,886	463,619	882,505	39,089
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 7,950,632</u>	<u>\$ 10,612,204</u>	<u>\$ 18,562,836</u>	<u>\$ 1,258,046</u>
<b>Schedule of Noncash Investing, Capital, and Related Financing Activities</b>				
Net Impact of Accruals	\$ 22,397	\$ 303,669	\$ 326,066	\$ -

See accompanying notes to the basic financial statements

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
DECEMBER 31, 2020**

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	<b>Custodial Funds</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 70,866
<b>Total Assets</b>	70,866
 <b>LIABILITIES</b>	
Intergovernmental Payable	56,537
<b>Total Liabilities</b>	56,537
 <b>NET POSITION</b>	
Restricted For:	
Individuals, Organizations, and Other Governments	14,329
<b>Total Net Position</b>	\$ 14,329

See accompany notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Intergovernmental	\$ 1,826
Fines and Forfeitures for Other Governments	3,001,139
Miscellaneous	14,328
<b>Total Additions</b>	<b>3,017,293</b>
<b>DEDUCTIONS</b>	
Distributions to Other Governments	1,826
Fines and Forefeitures Distributions to Other Governments	3,001,138
<b>Total Deductions</b>	<b>3,002,964</b>
Net Increase in Fiduciary Net Position	14,329
Net Position - Beginning of Year	-
<b>Net Position - End of Year</b>	<b>\$ 14,329</b>

See accompany notes to the basic financial statements.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Lorain is a statutory municipal corporation established and operated under the laws of the State of Ohio. The City began as an unincorporated village under the name of Charleston in 1834. It was incorporated as a village under the name of Lorain in 1874 and became a City in 1896. The City operates under a council-mayor form of government. Elected officials include eleven council members, a council president, and a mayor.

**Reporting Entity**

A reporting entity is composed 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, departments, boards, and agencies that are not legally separate from the City. The primary government includes the City departments and agencies that provide various services including police and fire protection, planning, zoning, street construction, maintenance and repair, water and sewer services, municipal court services, 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; or the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (3) the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in the Elyria Township – City of Lorain Joint Economic Development District (JEDD), the Lorain County General Health District, the Northeast Ohio Areawide Coordinating Agency (NOACA), and the Northeast Ohio Public Energy Council (NOPEC) all of which are jointly governed organizations, the Lorain Port Authority, a related organization, and the Public Entity Risk Consortium (PERC), a shared risk pool. These organizations are presented in Notes 18, 19, and 20 respectively.

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 Lorain 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 reporting principles. The more significant of the City's accounting policies are described on the next page.



**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation**

***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. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The activity of the internal service funds is eliminated to avoid “doubling up” revenues and expenses.

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 function 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. Non-major funds are aggregated and presented in a single column. The internal service funds are presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**Fund Accounting**

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

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically 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 compared to liabilities and deferred inflows of resources are reported as fund balance.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting** (Continued)

*Governmental Funds* (continued)

The following are the City's major governmental funds:

***General Fund*** - The General Fund is the operating fund of the City and is used to account for and report 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 general laws of Ohio.

***Coronavirus Relief Fund Special Revenue Fund*** - This fund accounts for and reports Federal grants restricted to expenditures related to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) and includes medical expenses, public health and related measures, public health and safety personnel, equipment, and economic support for businesses and individuals.

***General Obligation Bond Retirement Fund*** - This fund accounts for and reports the accumulation of resources from real estate taxes, payments in lieu of taxes and transfers from other funds restricted to pay principal and interest on general obligation debt.

***Capital Improvements Capital Projects Fund*** - This fund accounts for and reports financial resources from federal and state grants and loans, bond proceeds and transfers from other funds restricted for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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 Funds*** - Proprietary fund reporting focuses on the determination of operating income, changes in net position and cash flows. Proprietary funds are classified as either enterprise or internal service.

***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:

***Water Works Fund*** - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

***Water Pollution Control Fund*** - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

***Internal Service Funds*** - The internal service funds account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The City's internal service funds account for the hospital/medical, and prescription drug benefits for City employees on a self-insured basis and accounts for maintenance costs for equipment and vehicles and the purchase of fuel under a single purchasing unit to keep costs low.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting** (Continued)

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's only fiduciary funds are custodial funds, which are State fees and fines for entities outside the City, municipal court, and employee flexible benefits deposits.

**Measurement Focus**

***Government-wide Financial Statements*** - The government-wide financial statements are presented using the 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 (i.e., revenues) and decreases (i.e., 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types 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 Net Position. The Statement of Revenues, Expenses and 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 are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use 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.

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Revenues - Exchange and Non-exchange 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). 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 a modified accrual basis, revenue from non-exchange 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: municipal income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), fines and forfeitures, grants and entitlements, fees and rentals.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

***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 charge on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes and payments in lieu of 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, municipal income taxes, special assessments, charges for services, and intergovernmental grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Accounting** (Continued)

***Deferred Outflows/Inflows of Resources*** (Continued)

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 24. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are explained in Notes 15 and 16.

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

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

**Budgetary Data**

All funds, except fiduciary funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation 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 appropriation resolution is the Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of budgetary control is at the departmental level for all funds. Any budgetary modifications at this level may only be made by resolution of the City Council.

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the 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 the year.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Pooled 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 City records. Interest in the pool is presented as “equity in pooled cash and cash equivalents.”

The City has segregated bank accounts for monies held separate from the City's bank accounts. These interest-bearing deposit accounts are presented on the statement of net position and balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. A portion of the cash of the Municipal Court is included in this line item. The balance presented on the Statement of Net Position and balance sheet as "cash and cash equivalents with fiscal agents" represents deposits for future debt service payments on Community Development urban redevelopment loans and deposits in escrow for the purchase of capital assets through lease purchase agreements.

During 2020, investments were limited to negotiable CDs, Repurchase agreement, Money Market Fund, Commercial Paper, Treasury Notes, U.S. Debt Securities and STAR Ohio. The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2020, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, 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.

Governmental securities and negotiable certificates of deposit are reported at fair value, which is based on quoted market prices. Commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Pooled Cash and Cash Equivalents** (Continued)

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.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2020 amounted to \$684,498, of which \$393,332 was assigned from other City funds.

**Inventory Held for Resale**

Inventory held for resale represents land purchased and homes purchased and repaired which will be resold under the Community Development in-fill housing and neighborhood stabilization projects.

**Materials and Supplies Inventory**

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

**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 and reflecting the expenditure/expense in the year in which services are consumed.

**Deferred Charge on Refunding**

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old or the life of the new debt, whichever is shorter, using the effective method and is presented as deferred outflows of resources on the Statement of Net Position.

**Bond Premiums and Discounts**

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

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 the law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies. Restricted assets in the water works and water pollution control enterprise funds are for amounts held for operation, maintenance and replacement contingencies per the applicable City ordinance.

**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. Capital assets used by the internal service funds are reported in the governmental activities column of the statement of net position and in the internal service column on the statement of fund net position.

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 infrastructure 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 five thousand dollars for capital assets other than infrastructure and one hundred thousand dollars for infrastructure capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land, easements, 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements (including water and water pollution control facilities)	50 to 75 years
Machinery and Equipment	5 to 25 years
Furniture and Fixtures	10 to 15 years
Infrastructure	30 to 60 years



**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets** (Continued)

The City's infrastructure consists of streets, sidewalks, storm sewers, bridges, water and sewer lines, and includes infrastructure acquired prior to December 31, 1980.

**Interfund Balances**

On fund financial statements, outstanding interfund loans are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**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 accumulated unused vacation time when earned for all employees with more than one year of service. The City's policy limits the accrual of annual vacation time to one year from the employee's anniversary date. Any unused annual vacation is placed in the employee's vacation bank, within certain limits, to be paid upon retirement.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that 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.

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

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

**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.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary funds 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, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the governmental 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.

**Fund Balance**

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or 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).

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally 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.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance** (Continued)

*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 ordinance or by State Statute. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

**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 the 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 resources for litter control and habitat conservation grant activities. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**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 governmental-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. Interfund payments for services provided and used are not eliminated.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Interfund Activity** (Continued)

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 that initially paid for them are not presented on the financial statements.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water pollution control, water services, self-insurance programs, and garage.

Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the fund. All revenues and expenditures not meeting these definitions are reported as non-operating.

**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/FUND BALANCE**

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). These changes were incorporated in the City's 2020 financial statements and restated the beginning net position.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's 2020 financial statements; however, there was no effect on the beginning net position/fund balance.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND FUND BALANCE** (Continued)

GASB Statement No. 84, *Fiduciary Activities*. This Statement established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The City reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These fund reclassifications did not result in the restatement of beginning net position for custodial funds.

The implementation of GASB Statement No. 83 and 84 had the following effect on Governmental fund balance/net position.

	Governmental Activities	Business-Type Activities
Net Position December 31, 2019	\$ 38,452,630	\$ 118,231,915
Adjustments:		
GASB Statement No. 83	-	(253,720)
GASB Statement No. 84	578,187	1,046,512
Restated Net Position December 31, 2019	<u>\$ 39,030,817</u>	<u>\$ 119,024,707</u>

	Water Works	Water Pollution Control
Net Position December 31, 2019	\$ 39,952,564	\$ 77,754,783
Adjustments:		
GASB Statement No. 83	(253,720)	-
GASB Statement No. 84	472,832	573,680
Restated Net Position December 31, 2019	<u>\$ 40,171,676</u>	<u>\$ 78,328,463</u>

	General Fund	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Fund Balance December 31, 2019	\$ 7,084,366	\$ 790,106	\$ 9,101,121	\$ 22,144,262	\$ 39,119,855
Adjustments:					
GASB Statement No. 84	403,037	-	25,273	149,877	578,187
Restated Fund Balance December 31, 2019	<u>\$ 7,487,403</u>	<u>\$ 790,106</u>	<u>\$ 9,126,394</u>	<u>\$ 22,294,139</u>	<u>\$ 39,698,042</u>

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

**Fund Deficits**

Fund balances at December 31, 2020, included the following individual fund deficits:

<b>Nonmajor Funds:</b>	<b>Amount</b>
<i>Special Revenue Funds:</i>	
Habitat Conservation	\$ 96,400
<i>Internal Service Funds:</i>	
Hospitalization	2,239,704
	\$ 2,336,104

The deficits in the Habitat Conservation and the Hospitalization Fund are due to accrued liabilities. The General Fund provides transfers when cash is required, not when accruals occur.

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**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE 5: FUND BALANCES**

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 below:

Fund Balances	General	Coronavirus Relief	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total
<i>Nonspendable</i>						
Prepaid Items	\$ 112,332	\$ 1,770	\$ -	\$ -	\$ 56,079	\$ 170,181
Materials and Supplies Inventory	22,491	-	-	-	192,720	215,211
Unclaimed Funds	56,398	-	-	-	-	56,398
<b>Total Nonspendable</b>	<b>191,221</b>	<b>1,770</b>	<b>-</b>	<b>-</b>	<b>248,799</b>	<b>441,790</b>
<i>Restricted for</i>						
Loans Receivable	-	-	-	-	5,721,343	5,721,343
Economic Development Projects	-	-	-	-	5,611,861	5,611,861
Road Improvements	-	-	-	1,051,515	3,139,958	4,191,473
Assets Held for Resale	-	-	-	-	1,430,616	1,430,616
Law Enforcement	-	-	-	-	2,336,652	2,336,652
Fire Levy	-	-	-	-	165,942	165,942
Municipal Court Operations	51,278	-	-	-	102,397	153,675
Debt Service Payments	-	-	1,420,257	-	2,056	1,422,313
Special Assessment Bont Retirement	-	-	-	-	11,757	11,757
Community Environment Enhancement	-	-	-	-	33,037	33,037
Cemetary Operations	14,975	-	-	-	-	14,975
<b>Total Restricted</b>	<b>66,253</b>	<b>-</b>	<b>1,420,257</b>	<b>1,051,515</b>	<b>18,555,619</b>	<b>21,093,644</b>
<i>Committed to</i>						
Storm Sewer Maintenance and Repair	-	-	-	-	2,922,421	2,922,421
Municipal Court Improvements	-	-	-	-	65,013	65,013
Payroll Reserve	869,148	-	-	-	-	869,148
Compensated Absences Reserve	495,482	-	-	-	-	495,482
Community Environment	525	-	-	-	-	525
Park Operations	91,119	-	-	-	-	91,119
General Government	124,029	-	-	-	-	124,029
Economic Development Incentives	55,198	-	-	-	-	55,198
Waste Collection	-	-	-	-	3,125	3,125
<b>Total Committed</b>	<b>1,635,501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,990,559</b>	<b>4,626,060</b>
<i>Assigned to</i>						
Subsequent Year Appropriations	2,318,477	-	-	-	-	2,318,477
Purchases on Order	387,075	-	-	-	-	387,075
<b>Total Assigned</b>	<b>2,705,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,705,552</b>
<i>Unassigned (Deficit)</i>						
	7,345,069	-	-	-	(96,400)	7,248,669
<b>Total Fund Balances</b>	<b>\$ 11,943,596</b>	<b>\$ 1,770</b>	<b>\$ 1,420,257</b>	<b>\$ 1,051,515</b>	<b>\$ 21,698,577</b>	<b>\$ 36,115,715</b>

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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**NOTE 6: 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), 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 Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but are reported on the operating statements prepared using GAAP.
4. Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Encumbrances are treated as expenditures (budget) rather than as a part of restricted, committed, or assigned fund balance (GAAP).
6. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

	<u>General</u>	<u>Coronavirus Relief</u>
GAAP Basis	\$ 4,456,193	\$ 1,770
Revenue Accruals	(622,806)	392,452
Beginning Unrecorded Cash	52,820	-
Ending Unrecorded Cash	(9,148)	-
Expenditure Accruals	53,541	124,163
Advances Out	(229,341)	-
Excess of Revenue Over (Under) Expenditures		
Economic Development	(47,968)	-
Parkland	(21,444)	-
Compensated Absences	(125,000)	-
Payroll Reserve	(148,170)	-
Cemetery	816	-
Allotment & Improvement	(56,473)	-
Encumbrances (Budget Basis) outstanding at year end	<u>(465,835)</u>	<u>(175,704)</u>
Budget Basis	<u>\$ 2,837,185</u>	<u>\$ 342,681</u>



**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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**NOTE 7: DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 no 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 that 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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts; and
8. Commercial paper and bankers' acceptances if training requirements have been met.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

The City may also invest any 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 bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose fair 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 institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of the City's financial institutions had enrolled in OPCS as of December 31, 2020.

At year end, the carrying amount of the City's deposits was \$19,957,583, and the bank balance was \$20,624,147. Of the City's bank balance, \$500,000 was covered by federal depository insurance and \$19,360,722 uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name, and \$763,425 was uninsured and uncollateralized. One of the three City's financial institutions was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

**Cash on Hand**

The City has \$7,645 in undeposited cash on hand, which is reported on the balance sheet as part of "Equity in Pooled Cash and Cash Equivalents".

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

**Investments**

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Investments are reported at fair value. As of December 31, 2020, the City had the following investments:

Rating by Standard & Poor's	Level	Investment	Measurement Value	Investment Maturities (in years)			Percentage of Total Investments
				<1	1-3	3-5	
N/A	N/A	Repurchase Agreement	\$ 5,500,286	\$ 5,500,286	\$ -	\$ -	9.55%
N/A	2	Negotiable CDs	11,277,614	3,486,414	6,806,259	984,941	19.58%
N/A	N/A	Money Market Fund	4,393	4,393	-	-	0.01%
A-1/P-1	2	Commerical Paper	5,729,737	5,729,737	-	-	9.95%
AA+	2	Treasury Notes	1,559,922	1,559,922	-	-	2.71%
AA+	2	FFCB	6,349,528	-	5,861,799	487,729	11.02%
AA+	2	FHLMC	1,500,561	1,500,561	-	-	2.61%
AA+	2	FNMA	3,703,990	-	3,703,990	-	6.43%
AA+	2	FHLB	1,422,449	-	1,172,761	249,688	2.47%
AAAM	N/A	STAR Ohio	20,543,720	20,543,720	-	-	35.67%
			<u>\$ 57,592,200</u>	<u>\$ 38,325,033</u>	<u>\$ 17,544,809</u>	<u>\$ 1,722,358</u>	<u>100.00%</u>

*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 short-term investments maturing within one year from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk* All of the City's investments in United States debt securities carry a rating of AA+ by Standard & Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

*Concentration of Credit Risk* The City's investment policy allows investments in Repurchase Agreements, Money Market Mutual Funds, certificates of deposit, and STAR Ohio and allowable investments as defined by the Ohio Revised Code. The City does not limit the amount that can be invested in each type.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

*Custodial Credit Risk* Custodial credit risk for investments is the risk that in the event of bank failure, the City will not be able to recover investments or collateral securities that are in possession of an outside party. At year end, the City's investment in negotiable certificates of deposit of \$11,277,614 was fully covered by the FDIC.

NOTE 8: **RECEIVABLES**

Receivables at December 31, 2020, consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, loans, 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 property taxes, special assessments, and loans receivable are expected to be received 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 \$975,701. At December 31, 2020, the amount of delinquent special assessments was \$1,322,284.

The loans receivable at December 31, 2020, include revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loans are due on various dates with a large portion not due until the related property is sold or the debtor becomes deceased. The loans receivable balance of \$5,721,343 on the basic financial statements is stated net of estimated uncollectible of \$1,311,772 with \$129,900 collectible in one year.

The City's sewer department issued zero percent interest emergency loans to property owners in 2007 to provide some immediate relief to replace property damaged due to a major sewer line collapse. At December 31, 2020, the fund has recorded a loan receivable balance of \$28,122 as a result of these transactions, with \$13,687 collectible in one year.

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City of Lorain. Property tax revenues received in 2020 for real and public utility property represent the collection of 2019 taxes.

Real property taxes received in 2020 were levied after October 1, 2019, on the assessed values as of January 1, 2019, the lien date. Real property taxes which were levied in 2020 are collected in and intended to finance 2021. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 8: **RECEIVABLES** (Continued)

**Property Taxes** (Continued)

Public utility property tax revenues received in 2020 represent the collection of 2019 taxes. Public utility property taxes received in 2020 became a lien on December 31, 2019, were levied after October 1, 2019, and are collected with real property taxes.

Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The full tax rate for all City of Lorain operations for the year ended December 31, 2020, was \$7.66 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2019 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>
Real Property	\$ 782,424,300
Public Utility Personal Property	84,875,460
Total	<u>\$ 867,299,760</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lorain. 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 the governmental funds, the portion of the receivable not levied to finance 2020 operations is offset to deferred inflows of resources – property taxes. On the full 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 Tax**

The City levies a municipal income tax of two and one-half percent on substantially all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. Two percent (2.00 percent) is levied for general purposes, one quarter percent (0.25 percent) is restricted for the police levy fund, and one quarter percent (0.25 percent) is restricted for the streets fund. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Residents that work outside the City are credited with 100 percent of the taxes paid to another City up to a maximum of two and one-half percent (the City’s current tax rate) of gross wages.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 8: **RECEIVABLES** (Continued)

**Payment in Lieu of Taxes**

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

**Intergovernmental Receivables**

A summary of the governmental and business-type activities principal items of intergovernmental receivables follows:

<b><u>Governmental Activities</u></b>	<b><u>Amount</u></b>
Local Government	\$ 1,314,726
Gasoline Tax	1,092,935
Motor Vehicle License Tax	258,310
Homestead and Rollback	275,146
Grants	319,539
Permissive Tax	87,429
Total Governmental Activities	<u>3,348,085</u>
<b><u>Business-Type Activities</u></b>	
Utilities Charges	<u>108,693</u>
 Total	 <u>\$ 3,456,778</u>

NOTE 9: **INVENTORY HELD FOR RESALE**

Inventory held for resale represents land purchased and homes purchased and repaired to be resold under the Community Development infill housing and neighborhood stabilization projects. As of December 31, 2020, the City has 104 properties remaining which are being held for resale.

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**NOTE 10: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 9,688,731	\$ 308,676	\$ -	\$ 9,997,407
Easements	6,670,008	-	-	6,670,008
Construction in Progress	14,837,279	10,324,884	(11,170,701)	13,991,462
<i>Total Capital Assets, Not Being Depreciated</i>	<u>31,196,018</u>	<u>10,633,560</u>	<u>(11,170,701)</u>	<u>30,658,877</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	24,206,402	1,232,415	(10,544)	25,428,273
Machinery and Equipment	25,413,056	3,080,695	(1,274,252)	27,219,499
Furniture and Fixtures	395,658	-	-	395,658
Infrastructure:				
Streets, Sidewalks, Bridges and Storm Sewers	1,064,167,776	9,393,429	(64,479)	1,073,496,726
<i>Total Capital Assets, Being Depreciated</i>	<u>1,114,182,892</u>	<u>13,706,539</u>	<u>(1,349,275)</u>	<u>1,126,540,156</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,734,438)	(444,412)	-	(11,178,850)
Machinery and Equipment	(13,852,113)	(1,185,261)	798,700	(14,238,674)
Furniture and Fixtures	(184,968)	(17,152)	-	(202,120)
Infrastructure:				
Streets, Sidewalks, Bridges and Storm Sewers	(995,816,064)	(2,655,732)	-	(998,471,796)
<i>Total Accumulated Depreciation</i>	<u>(1,020,587,583)</u>	<u>(4,302,557) *</u>	<u>798,700</u>	<u>(1,024,091,440)</u>
Total Capital Assets, Being Depreciated, Net	<u>93,595,309</u>	<u>9,403,982</u>	<u>(550,575)</u>	<u>102,448,716</u>
Governmental Activities Capital Assets, Net	<u>\$ 124,791,327</u>	<u>\$ 20,037,542</u>	<u>\$ (11,721,276)</u>	<u>\$ 133,107,593</u>

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

General Government	\$986,986
Security of Persons and Property	746,147
Transportation	2,315,469
Public Health	12,795
Community Environment	18,363
Economic Development	90,141
Leisure Time Activities	132,656
Total Depreciation Expense	<u>\$4,302,557</u>

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

NOTE 10: **CAPITAL ASSETS** (Continued)

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
<b>Business - Type Activities</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 1,081,975	\$ -	\$ -	\$ 1,081,975
Construction in Progress	16,718,769	2,549,497	(4,572,142)	14,696,124
<i>Total Capital Assets, Not Being Depreciated</i>	<u>17,800,744</u>	<u>2,549,497</u>	<u>(4,572,142)</u>	<u>15,778,099</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Improvements	53,240,601	88,340	-	53,328,941
Machinery and Equipment	30,090,388	1,159,052	(42,154)	31,207,286
Infrastructure:				
Water Lines	71,394,994	3,768,034	-	75,163,028
Sewer Lines	157,338,461	19,150	(19,150)	157,338,461
<i>Total Capital Assets, Being Depreciated</i>	<u>312,064,444</u>	<u>5,034,576</u>	<u>(61,304)</u>	<u>317,037,716</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(35,375,525)	(845,121)	-	(36,220,646)
Machinery and Equipment	(20,200,080)	(705,814)	29,151	(20,876,743)
Infrastructure:				
Water Lines	(19,064,931)	(1,302,266)	-	(20,367,197)
Sewer Lines	(43,864,636)	(2,155,591)	-	(46,020,227)
<i>Total Accumulated Depreciation</i>	<u>(118,505,172)</u>	<u>(5,008,792)</u>	<u>29,151</u>	<u>(123,484,813)</u>
Total Capital Assets, Being Depreciated, Net	<u>193,559,272</u>	<u>25,784</u>	<u>(32,153)</u>	<u>193,552,903</u>
Business - Type Activities Capital Assets, Net	<u>\$ 211,360,016</u>	<u>\$ 2,575,281</u>	<u>\$ (4,604,295)</u>	<u>\$ 209,331,002</u>

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**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 11: **RISK MANAGEMENT**

**Property and Liability**

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. The City participated in the Public Entity Risk Consortium (PERC), a shared risk pool (see Note 20) for all City real and personal property, comprehensive general liability including law enforcement liability, blanket crime coverage and public official's liability insurance. In 2018 the City acquired a new ancillary policy specifically for cyber crime liability. Arthur J. Gallagher & Company is the administrator. PERC is a shared risk joint self-insurance pool restricted to mid-size public entities. The Travelers Indemnity Company covers up to \$500,000,000 per occurrence for real and personal property subject to a \$75,000 self-insured retention with the exception of \$5,000 retention in respect to automobile physical damage. The Underwriters at Lloyd's, London provides \$1,500,000 per occurrence limit each for Automobile Liability, General Liability, Law Enforcement Liability and Public Official's Liability. These liability policies each have a \$50,000 self-insured retention. The Travelers Casualty & Surety Company of America maintains the Crime/Dishonesty Insurance policy with a maximum liability of 2,000,000 with a retention of \$35,000 with the exception of coverage for money and securities which has a retention of \$500. The cyber liability ancillary policy is issued through BCS Insurance Company and provides coverage up to \$1,000,000 per occurrence with retention of \$15,000. An \$8,000,000 Excess Liability policy is provided over all liability policies by Genesis Insurance Company. The City also carries a comprehensive Boiler and Machinery policy by the Travelers Property Casualty Company of America on all City buildings with the property damage limits of \$100,000,000 subject to a \$1,000 deductible. Gallagher Bassett Services, Inc. is the claims administrator for the City. A summary of coverage and limits provided through the pool is as follows:

<u>Type of Coverage</u>	<u>Limits of Coverage</u>
Property Including Auto Physical Damage	\$ 230,432,000
Liability:	10,000,000
General Liability	
Law Enforcement Liability	
Automobile Liability	
Public Officials Errors & Omissions	
Sexual Harassment	4,000,000
Sexual Abuse Liability	4,000,000
Crime:	
Employee Dishonesty	2,000,000
Depositors Forgery	2,000,000
Computer Fraud	2,000,000
Money & Securities	250,000
Cyber Liability	3,000,000
Boiler & Machinery	100,000,000

Claims have not exceeded coverage in any of the last three years and there were no significant reductions of commercial coverage in any of the past three years.

**Workers' Compensation**

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

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 11: **RISK MANAGEMENT** (Continued)

**Health Insurance Benefits**

The City manages the hospital/medical, and prescription drug benefits for its employees on a self-insured basis through the hospitalization self-insurance internal service fund. Rates for 2020 were \$655/single and \$1,512/family per month.

Employees pay \$80 per month for single coverage, \$160 for family + 1 coverage (example: employee and spouse only), and \$205 for family coverage in excess of two individuals. The Plan Administrator for the City determines these rates. Medical Mutual of Ohio, the third party administrator, processes and pays the medical and prescription drug claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$125,000 per employee and an aggregate of \$8,517,463 per year. The \$125,000 specific threshold was exceeded by \$376,002. The City received an invoice credit for the excess. The aggregate was not exceeded.

Vision and dental benefits for the City's employees are provided through The Guardian Life Insurance Company of America. Vision benefits are administered by Vision Service Plan (VSP). The rate per month is \$12 for both single and family coverage for vision benefits only. The employees contribute 100 percent of the cost of dental insurance. Employees contribute \$3.39 for single coverage and \$7.67 for family coverage for vision and \$22.70 for single coverage and \$63.63 for family coverage for dental.

The claims liability of \$643,290 reported in the hospitalization fund at December 31, 2020 was estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include other allocated claim adjustment expenses. Changes in the fund's claims liability amount for 2019 and 2020 were:

	<b>Balance at Beginning of Year</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Balance at End of Year</b>
2019	\$320,154	\$7,475,457	\$7,523,151	\$272,460
2020	272,460	6,966,907	6,596,077	643,290

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 12: LONG-TERM OBLIGATIONS**

The original issue date, interest rate, original issuance amount and maturity date for each of the City's long-term obligations follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
2003 Park and Street Improvements (G.O. Portion)	2.00 - 5.00 %	\$ 1,200,500	December 1, 2023
2006 Lighthouse Urban Renewal Phase I	4.10 - 5.00	1,510,000	December 1, 2026
2007 Riverfront Urban Renewal Refunding	4.00 - 4.30	4,970,000	December 1, 2028
2007A Colorado Avenue	4.00 - 4.125	505,000	December 1, 2027
2007A US Route 6	4.00 - 4.125	775,000	December 1, 2022
2007B Heritage Urban Renewal	4.00 - 4.20	1,315,000	December 1, 2028
2010 Health Claims	6.50 - 7.00	5,000,000	December 1, 2025
2011 Street Improvements (G.O. Portion)	2.00 - 5.45	455,920	December 1, 2031
2011 Various Purpose Refunding (G.O. Portion)	3.00 - 4.75	2,074,175	December 1, 2024
2012 Jaeger Road	2.00 - 4.00	5,535,000	December 1, 2032
2012 Various Purpose Refunding	2.00 - 3.30	5,815,000	December 1, 2026
2013 Property Acquisition Bond	2.00 - 4.10	6,885,000	December 1, 2038
2013 Street Improvements Bond	2.00 - 4.00	5,105,000	December 1, 2032
2014 Street Improvements Bond	2.00 - 3.875	5,790,000	December 1, 2034
2015 Riverfront Urban Renewal Phase II & III Refunding	3.00 - 3.625	3,845,000	December 1, 2032
2017 Pellet Terminal Refunding Bond	3.125-4.00	4,440,000	December 1, 2028
2017 Fire Department Improvement Bond	3.00-4.00	1,500,000	December 1, 2026
2017 Erie Avenue Road Improvement Bond	3.00-4.00	915,000	December 1, 2036
2019 Service Complex Bond	3.00-3.125	9,155,000	December 1, 2039
2020 Various Purpose Refunding	2.00-4.00	10,320,000	December 1, 2032
2020 Health Bond Refunding	1.00-1.50	2,745,000	December 1, 2025
<i>Special Assessment Bonds with Government Commitment:</i>			
2003 Park and Street Improvements (S.A. Portion)	2.00 - 5.00	574,500	December 1, 2023
2009 Street Improvements	5.00 - 7.25	390,000	December 1, 2029
2010 Street Improvements	4.00 - 5.875	245,000	December 1, 2030
2011 Street Improvements	2.00 - 5.45	554,080	December 1, 2031
<i>Long-Term Bond Anticipation Note</i>			
2019 Broadway Streetscape Improvements	3.00	2,700,000	June 18, 2020
2020 Broadway Streetscape Improvements	1.25	2,800,000	June 17, 2021
<i>Ohio Public Works Commission Loans:</i>			
Oak Point Road Improvements (#CI002)	0.00	405,776	July 1, 2021
Longbrook Bridge Replacement (#CI01D)	0.00	250,000	January 1, 2022
California Avenue (#CI31D)	0.00	483,645	July 1, 2022
2008 Local Roadway Rehab (#CI33L)	0.00	447,645	July 1, 2020
2009 Local Roadway Rehab (#CI48M)	0.00	70,314	July 1, 2020
2008 Local Roadway Rehab (#CI11L)	0.00	130,376	January 1, 2024
2010 Local Roadway Rehab (#CI32N)	0.00	577,480	July 1, 2026
2011 Local Roadway Rehab (#CI17N)	0.00	60,329	July 1, 2022
2012 Local Roadway Rehab (#CI12O)	0.00	200,848	July 1, 2027
Washington Avenue Bridge (#CI36O)	0.00	123,154	January 1, 2032
2013 Local Roadway Rehab (#CI24P)	0.00	186,004	July 1, 2028
2014 Local Roadway Rehab (#CI46R)	0.00	296,634	January 1, 2027
2015 Local Roadway Rehab (#CI26T)	0.00	240,418	January 1, 2031
2016 Local Roadway Rehab (#CI41U)	0.00	272,371	July 1, 2029
2017 Local Roadway Rehab (#CI07V)	0.00	180,414	July 1, 2030
2018 Local Roadway Rehab (#CI48W)	0.00	142,367	July 1, 2031

**CITY OF LORAIN**  
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**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Ohio Department of Transportation State Infrastructure Bank Loans:</i>			
Oberlin Avenue Phase I (#SB110003)	3.00	308,998	January 12, 2021
2013 Issue 2 (LRR Rnd 25) (#SB130004)	3.00	425,341	February 8, 2023
2013 Washington & Reid Avenue Rehab (#SB130005)	3.00	1,330,825	February 8, 2023
2013 SR611 (#SB130006)	3.00	577,103	February 8, 2023
2013 Local Roadway (5) (#SB130009)	3.00	1,986,249	July 26, 2028
2015 Local Roadway (12) (#SB160006)	3.00	955,503	November 3, 2022
2016 Local Roadway (7) & SR 57 (#SB160012)	3.00	1,651,250	June 1, 2026
2017 Local Roadway (12) (#SB170010)	3.00	1,415,849	July 1, 2027
2018 Local Roadway (12) (#SB180014)	3.00	1,869,113	September 1, 2025
<i>Installment Loans</i>			
Lorain County Engineer - Cooper Foster Park Road	0.00	272,801	September 15, 2020
Lorain County Engineer - Oberlin Avenue Phase I	0.00	220,000	October 13, 2021
Lorain County Engineer - Oberlin Avenue Phase II	0.00	200,000	April 1, 2022
State of Ohio GRF Bond Loan	2.00 - 5.00	7,061,249	November 1, 2034
<i>Ohio Water Development Authority Loans:</i>			
2000 E. 28th St./Pearl Ave. Relief Sewer, Pump Station (#2321)	2.91	1,137,701	July 1, 2020
2001 Colorado Ave./Root Rd. Waterline Replacement (#3188)	6.13	449,287	January 1, 2021
2001 Colorado/Root/E. Erie Waterline Replacement (#3253)	4.38	2,712,348	January 1, 2021
2001 Westside Waterline Replacement (#3284)	4.64	2,425,073	July 1, 2021
2001 Tacoma Avenue Relief Sewer (#2322)	2.81	4,860,364	January 1, 2021
2001 Idaho Avenue SSO Elimination (#3268)	3.66	9,744,494	July 1, 2021
2003 4W Waterline Replacement (Various locations) (#3814)	4.90	3,585,574	July 1, 2034
2004 Kay Drive Retention Basin (#4150)	3.81	2,295,633	July 1, 2024
2004 Amherst Township Relief Sewer (#4151)	3.81	898,208	July 1, 2024
2004 Pearl Road & Tacoma Pump Station (#4156)	3.81	1,282,116	January 1, 2025
2006 East Central Relief Sewer (#4548)	4.59	3,400,652	July 1, 2027
2006 Westside Relief Sewer (#4586)	3.24	22,145,154	July 1, 2028
2007 Brownell Avenue Waterline (#4775)	4.47	770,575	January 1, 2028
2010 Pearl Avenue Water Mains (#5628)	3.84	1,700,936	January 1, 2031
2011 28th Street Waterline (#5863)	4.45	1,749,427	January 1, 2032
2012 Black River Tunnel Phase I (#6166)	2.48	68,168,710	January 1, 2036
2013 Oberlin Avenue Waterline Replacement (#6394)	3.09	3,920,087	January 1, 2034
2013 SR611 Waterline Replacement (#6416)	3.15	3,754,426	January 1, 2034
2013 Washington & Reid Ave. Waterline Replacement (#6461)	3.44	7,924,151	July 1, 2034
2013 Westside Elevated Tank (#6466)	3.29	3,733,655	January 1, 2035
2013 South Lorain Waterline Replacement Phase I (#6542)	4.24	4,581,899	July 1, 2034
2013 Euclid Avenue Waterline Replacement (#6614)	4.12	1,719,793	July 1, 2034
2014 2nd, 4th, 5th, 6th, Hamilton & Reid Waterline Repl (#6716)	3.95	4,256,286	January 1, 2036
2014 E. 31st St. Bridge Waterline Replacement (#6789)	3.31	619,678	January 1, 2035
2015 Elyria Avenue Waterline Replacement (#6917)	2.56	1,447,864	July 1, 2035
2015 South Lorain Waterline Replacement Phase II (#7038)	2.91	5,878,090	July 1, 2036
2015 East Lorain Waterline Replacement Design (#7067)	3.57	176,088	July 1, 2021
2015 Broadway, Skyline, Jaeger Waterline Replacement (#7086)	3.04	3,979,190	January 1, 2037
2016 Crehore Street, Waterline Replacement (#7264)	2.54	767,700	July 1, 2036
2017 WTP Master Plan (#7865)	0.00	494,104	January 1, 2024
2017 Red Hill Transmission Main Design (#7916)	1.34	561,136	July 1, 2023
2018 South Lorain Waterline Replacement Phase III (#7998)	1.45	3,871,924	January 1, 2039
2018 West Lorain Waterline Improvement (#8099)	2.9	4,690,190	July 1, 2039
2019 Martins Run Pump Station (#8276)	0.00	173,000	January 1, 2025
2019 Black River WWTP Mechanical Bar Screen (#8487)	2.09	1,391,360	January 1, 2041
2020 Black River WWTP Digester Improvement (#9113)	1.95	240,550	July 1, 2026
2020 Martins Run Pump Station (#9120)	0	457,900	January 1, 2027
2020 Water Main Replacement Program (#9040)	1.92	301,777	July 1, 2026

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**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

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

	Principal Outstanding 12/31/2019	Additions	Deletions	Principal Outstanding 12/31/2020	Due Within One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds:</i>					
2003 Park and Street Improvements (G.O. Portion)	\$ 331,405	\$ -	\$ 77,779	\$ 253,626	\$ 81,161
2006 Lighthouse Urban Renewal Phase I	830,000	-	830,000	-	-
2007 Riverfront Urban Renewal Refunding	2,790,000	-	2,790,000	-	-
Unamortized Discount	(18,729)	-	(18,729)	-	-
2007A Colorado Avenue	250,000	-	-	250,000	-
2007A US Route 6	195,000	-	195,000	-	-
2007B Heritage Urban Renewal	745,000	-	745,000	-	-
Unamortized Discount	(2,346)	-	(2,346)	-	-
2010 Health Claims	2,585,000	-	2,585,000	-	-
2011 Street Improvements (G.O. Portion)	322,757	-	20,313	302,444	20,313
Unamortized Discount	(2,857)	-	(247)	(2,610)	-
2011 Various Purpose Refunding (G.O. Portion)	640,000	-	120,000	520,000	120,000
Unamortized Discount	(1,046)	-	(226)	(820)	-
2012 Jaeger Road	3,935,000	-	3,935,000	-	-
Unamortized Discount	(12,694)	-	(12,694)	-	-
2012 Various Purpose Refunding	2,535,000	-	2,535,000	-	-
Unamortized Discount	(846)	-	(846)	-	-
2013 Property Acquisition Bond	5,695,000	-	215,000	5,480,000	220,000
Unamortized Discount	(39,914)	-	(2,069)	(37,845)	-
2013 Street Improvements Bond	3,610,000	-	225,000	3,385,000	230,000
Unamortized Discount	(420)	-	(33)	(387)	-
2014 Street Improvements Bond	4,455,000	-	285,000	4,170,000	285,000
Unamortized Discount	(19,342)	-	(1,343)	(17,999)	-
2015 Riverfront Urban Renewal					
Phase II & III Refunding	3,125,000	-	200,000	2,925,000	205,000
Unamortized Premium	8,925	-	2,439	6,486	-
2017 Pellet Terminal Refunding Bond	4,070,000	-	385,000	3,685,000	405,000
Unamortized Premium	139,608	-	16,720	122,888	-
2017 Fire Department Improvements Bond	1,145,000	-	145,000	1,000,000	150,000
Unamortized Premium	54,277	-	8,544	45,733	-
2017 Erie Street Road Improvements Bond	825,000	-	35,000	790,000	35,000
Unamortized Premium	12,307	-	754	11,553	-
2019 Service Complex Bond	9,155,000	-	245,000	8,910,000	355,000
Unamortized Premium	88,587	-	4,788	83,799	-
2020 Various Purpose Refunding	-	10,320,000	-	10,320,000	1,170,000
Unamortized Premium	-	1,155,555	27,688	1,127,867	-
2020 Health Refunding	-	2,745,000	-	2,745,000	540,000
<i>Total General Obligation Bonds</i>	<u>47,444,672</u>	<u>14,220,555</u>	<u>15,840,492</u>	<u>45,824,735</u>	<u>3,816,474</u>
<i>Special Assessment Bonds with Government Commitment:</i>					
2003 Park and Street Improvements (S.A. Portion)	158,595	-	37,221	121,374	38,839
2009 Street Improvements	255,000	-	20,000	235,000	20,000
Unamortized Premium	6,073	-	624	5,449	-
2010 Street Improvements	160,000	-	10,000	150,000	10,000
Unamortized Discount	(2,312)	-	(212)	(2,100)	-
2011 Street Improvements	392,244	-	24,687	367,557	24,687
Unamortized Discount	(3,473)	-	(300)	(3,173)	-
<i>Total Special Assessment Bonds</i>	<u>966,127</u>	<u>-</u>	<u>92,020</u>	<u>874,107</u>	<u>93,526</u>
<i>Long-term Bond Anticipation Notes</i>					
2019 Broadway Streetscape Improvements	2,700,000	-	2,700,000	-	-
Unamortized Premium	18,009	-	18,009	-	-
2020 Broadway Streetscape Improvements	-	2,800,000	-	2,800,000	2,800,000
Unamortized Premium	-	23,128	12,528	10,600	-
<i>Total Long-term Bond Anticipation Notes</i>	<u>2,718,009</u>	<u>2,823,128</u>	<u>2,730,537</u>	<u>2,810,600</u>	<u>2,800,000</u>

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**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding 12/31/2019	Additions	Deletions	Principal Outstanding 12/31/2020	Due Within One Year
<b>Governmental Activities (continued)</b>					
<i>Other Long Term Obligations:</i>					
Net Pension Liability					
OPERS	16,357,752	-	4,259,879	12,097,873	-
OP&F	41,601,805	-	8,816,020	32,785,785	-
<i>Total Net Pension Liability</i>	57,959,557	-	13,075,899	44,883,658	-
Net OPEB Liability					
OPERS	7,615,307	676,848	-	8,292,155	-
OP&F	4,641,248	166,107	-	4,807,355	-
<i>Total Net OPEB Liability</i>	12,256,555	842,955	-	13,099,510	-
ODOD Urban Redevelopment Loans - Direct Borrowings	441,457	-	127,393	314,064	260,569
OPWC Loans - Direct Borrowings	1,843,921	39,741	128,331	1,755,331	251,795
ODOT State Infrastructure Bank Loans - Direct Borrowings	7,859,315	46,425	1,036,919	6,868,821	1,397,790
Installment Loans - Direct Borrowings	5,667,530	-	369,280	5,298,250	347,000
Capital Leases	1,783,591	1,250,000	834,592	2,198,999	915,204
Intergovernmental Payable	-	257,200	39,488	217,712	40,000
Pollution Remediation	1,140,066	-	-	1,140,066	-
Compensated Absences	6,748,162	1,667,689	807,344	7,608,507	491,880
<i>Total Other Long Term Obligations</i>	95,700,154	4,104,010	16,419,246	83,384,918	3,704,238
<b>Total Governmental Activities</b>	<b>\$ 146,828,962</b>	<b>\$ 21,147,693</b>	<b>\$ 35,082,295</b>	<b>\$ 132,894,360</b>	<b>\$ 10,414,238</b>
<b>Business-Type Activities</b>					
<i>Ohio Water Development Authority Loans - Direct Borrowings:</i>					
E. 28th St. / Pearl Ave. Relief Sewer	\$ 37,177	\$ -	\$ 37,177	\$ -	\$ -
Colorado Ave. / Root Rd. Waterline	37,549	-	37,549	-	-
Colorado / Root / E. Erie Waterline	198,429	-	198,429	-	-
Westside Waterline Replacement	268,545	-	176,969	91,576	91,576
Tacoma Avenue Relief Sewer	312,723	-	312,723	-	-
Idaho Avenue SSO Elimination	1,000,219	-	660,749	339,470	339,470
4W Waterline Replacement	2,361,043	-	115,077	2,245,966	120,784
Kay Drive Retention Basin	676,667	-	140,599	536,068	146,007
Amherst Township Relief Sewer	264,759	-	55,012	209,747	57,127
Pearl Road & Tacoma Pump Station	416,085	-	77,057	339,028	80,021
East Central Relief Sewer	1,644,606	-	188,317	1,456,289	197,060
Westside Relief Sewer	10,910,117	-	1,160,734	9,749,383	1,198,646
Brownell Avenue Waterline	391,089	-	41,664	349,425	43,547
Pearl Avenue Water Main	1,091,759	-	81,471	1,010,288	84,629
28th Street Waterline	1,226,332	-	79,304	1,147,028	82,873
Black River Tunnel Phase I	56,988,803	-	2,946,485	54,042,318	3,020,011
Oberlin Ave. Waterline Replacement	2,984,628	-	173,336	2,811,292	178,733
SR 611 Waterline Replacement	2,629,429	2,799	208,357	2,423,871	214,972
Washington & Reid Waterline Repl	6,252,515	-	339,082	5,913,433	350,847
Westside Elevated Tank	3,014,893	-	158,368	2,856,525	163,621
S. Lorain Waterline Repl. Phase I	3,677,070	-	188,145	3,488,925	196,207
Euclid Ave. Waterline Replacement	1,376,756	-	71,066	1,305,690	74,024
<i>Subtotal - Ohio Water Development Authority Loans:</i>	97,761,193	2,799	7,447,670	90,316,322	6,640,155

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**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

	Restated Principal Outstanding 12/31/2019	Additions	Deletions	Principal Outstanding 12/31/2020	Due Within One Year
<b>Business-Type Activities (continued)</b>					
<i>Ohio Water Development Authority Loans (continued):</i>					
<i>Prior Page Subtotal:</i>	\$ 97,761,193	\$ 2,799	\$ 7,447,670	\$ 90,316,322	\$ 6,640,155
2nd, 4th, 5th, 6th, Hamilton & Reid Ave. Waterline Replacement	3,648,731	-	167,332	3,481,399	174,007
E. 31st St. Bridge Waterline Repl	499,211	-	26,451	472,760	27,297
Elyria Avenue Waterline Repl	1,183,101	-	63,067	1,120,034	64,691
S. Lorain Waterline Repl Phase II	5,078,398	-	243,733	4,834,665	250,867
East Lorain Waterline Repl Design	127,178	6,757	9,548	124,387	-
South Lorain Waterline Repl Phase III	3,334,987	-	170,631	3,164,356	173,114
Broadway, Skyline, Jaeger Waterline Replacement	3,524,111	-	161,080	3,363,031	166,014
Crehore Street Waterline Replacement	659,721	-	32,644	627,077	33,478
W Lorain Waterline Improvement	4,589,490	-	205,801	4,383,689	211,826
WTP Master Plan	377,013	10,122	98,820	288,315	-
Red Hill Transmission Main Design	264,646	131,893	111,494	285,045	-
Martins Run Pump Station	144,532	28,468	17,300	155,700	-
Black River WWTP Mechanical Bar Screen	243,133	1,085,730	-	1,328,863	-
Black River WWTP Digester Improvement	-	839	-	839	-
Water Main Replacement Program	-	77,617	-	77,617	-
<i>Total Ohio Water Development Authority Loans</i>	<u>121,435,445</u>	<u>1,344,225</u>	<u>8,755,571</u>	<u>114,024,099</u>	<u>7,741,449</u>
<i>Other Long Term Obligations:</i>					
Net Pension Liability					
Water - OPERS	6,438,175	-	1,676,626	4,761,549	-
Sewer - OPERS	7,125,707	-	1,855,673	5,270,034	-
<i>Total Net Pension Liability</i>	<u>13,563,882</u>	<u>-</u>	<u>3,532,299</u>	<u>10,031,583</u>	<u>-</u>
Net OPEB Liability					
Water - OPERS	2,997,275	266,398	-	3,263,673	-
Sewer - OPERS	3,317,353	294,847	-	3,612,200	-
<i>Total Net OPEB Liability</i>	<u>6,314,628</u>	<u>561,245</u>	<u>-</u>	<u>6,875,873</u>	<u>-</u>
Capital Leases	1,569,904	-	405,104	1,164,800	420,896
Asset Retirement Obligation	384,425	-	-	384,425	-
Compensated Absences	1,571,277	148,061	120,244	1,599,094	107,223
<i>Total Other Long Term Obligations</i>	<u>23,404,116</u>	<u>709,306</u>	<u>4,057,647</u>	<u>20,055,775</u>	<u>528,119</u>
<b>Total Business-Type Activities</b>	<u>\$ 144,839,561</u>	<u>\$ 2,053,531</u>	<u>\$ 12,813,218</u>	<u>\$ 134,079,874</u>	<u>\$ 8,269,568</u>

General obligation bonds will be paid from the General Obligation Bond Retirement debt service fund and the hospitalization internal service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The Ohio Department of Development loan for economic development projects will be paid from the General Obligation Bond Retirement Debt Service fund

In 2007, the City defeased a 2000 Riverfront Urban Renewal General Obligation Bond in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2020, \$2,235,000 of the defeased bonds is still outstanding.

In 2017, the City defeased the Pellet Terminal Improvement General Obligation Bond in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2020, \$3,030,000 of the defeased bonds is still outstanding.

**CITY OF LORAIN**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 12: **LONG-TERM OBLIGATIONS** (Continued)

On June 17, 2020 the City issued \$2,800,000 in a Street Improvement Bond Anticipation Note for the Broadway Avenue Streetscape project at an annual interest rate of 1.25 percent that will mature on June 17, 2021. There are \$19,034 in unspent proceeds as of December 31, 2020.

On November 25, 2020 the City issued \$13,065,000 in General Obligation Current Refunding Bonds that were issued to refund various general obligation bonds. The bonds were issued for a 12-year period with final maturity at December 1, 2032 with a varying interest rate of 0.75-4.00 percent. The refunded bonds were called in December 2020.

The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$14,206,305. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,280,280. The issuance resulted in an economic gain of \$341,305.

The City has pledged a portion of permissive license tax revenues to repay \$915,000 in general obligation bonds issued in 2017 to finance the reconstruction and repair of local roadways. These bonds are payable solely from the permissive license tax revenue in the permissive license fund and is projected to use approximately 7 percent of the available permissive license tax over the life of the bonds. Total principal and interest remaining on the bonds is \$1,072,312, payable through 2036. Principal and interest payments for the current year were \$66,644 and total permissive license tax revenues were \$999,515.

The City has pledged a portion of municipal income tax revenues to repay \$8,825,000 in general obligation bonds issued in 2013 and 2014 to finance the reconstruction and repair of local roadways. These bonds are payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 26 percent of the available municipal income tax over the life of the bonds. Total principal and interest remaining on the bonds is \$7,510,931 payable through 2034. Principal and interest payments for the current year were \$643,713 and total income tax revenues were \$2,441,636.

OPWC and ODOT State Infrastructure Bank loans will be paid from the general obligation bond retirement debt service fund.

The City has pledged a portion of permissive license tax revenues to repay \$4,028,602 in ODOT State infrastructure bank loans issued in 2016 and 2017 to finance the reconstruction and repair of local roadways. These loans are payable solely from the permissive license tax revenue in the permissive license fund and is projected to use approximately 65 percent of the available permissive license tax over the life of the loans. Total principal and interest remaining on the bonds is \$3,144,574, payable through 2027. Principal and interest payments for the current year were \$647,316 and total permissive license tax revenues were \$999,515.



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LORAIN COUNTY, OHIO  
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**NOTE 12: LONG-TERM OBLIGATIONS** (Continued)

The City has pledged a portion of municipal income tax revenues to repay \$6,188,631 in ODOT State infrastructure bank loans received in 2013 and 2018 to finance the reconstruction and repair of local roadways. These loans are payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 21 percent of the available municipal income tax over the life of the loan. Total principal and interest remaining on the loan is \$4,343,410, payable through 2028. Principal and interest payments for the current year were \$518,248 and total income tax revenues were \$2,441,636.

Installment loans will be paid from the general obligation bond retirement debt service fund.

The City has pledged a portion of municipal income tax revenues to repay a \$7,061,249 installment loan to finance the reconstruction and repair of local roadways.

This loan is payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 20 percent of the available municipal income tax over the life of the loan. Total principal and interest remaining on the loan is \$6,790,494, payable through 2034. Principal and interest payments for the current year were \$496,532 and total income tax revenues were \$2,441,636.

Capital leases will be paid from the general fund, the street construction, police levy, cemetery, and parkland special revenue funds.

In an effort to revitalize its downtown area, in 2002 the City purchased the old pellet terminal site, a total of 19 acres, on the Black River for future development. This site was previously used for storing, loading and unloading iron ore pellets onto ships and by rail for use in northeast Ohio steel production since the 1890's and was also the location of the former Brush Beryllium Plant until 1948. The City voluntarily determined that due to the nature of the previous land use, an environmental assessment on the property was warranted before any development could commence. The City contracted with a certified consultant in 2006 to assess the property. It was determined by the consultant that environmental remediation was necessary due to unacceptable concentrations of beryllium, lead, and other miscellaneous chemicals and to comply with the Ohio Environmental Protection Agency's voluntary action plan standards for environmental contamination cleanup.

The cost of the remediation estimated by the consultants is \$949,744 as of 2020 with the potential for additional costs in the future due to price increases. The City expects no recoveries to reduce the liability for the remediation.

The former location of the National Vapor Stove and Manufacturing Company (Stoveworks), which began operations around 1900, was voluntarily identified by the City for environmental assessment due to the nature of the previous land use. The property is owned by the City, a private owner and a local non-profit, and the area of concern consists of 5.25 acres and includes a 33,000 square foot former warehouse building. The City contracted with a certified consultant to perform an assessment of the property which was completed in December 2017. It was determined by the consultant that environmental remediation was necessary due to unacceptable concentrations of asbestos, arsenic, lead and ground water contamination, and the presence of underground storage tanks.

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NOTE 12: **LONG-TERM OBLIGATIONS** (Continued)

The City has undertaken the remediation of the Stoveworks site, including the demolition of the building and removal underground storage tanks in order to comply with the Ohio Environmental Protection Agency's voluntary action plan standards for environmental contamination cleanup and the Ohio State Fire Marshall's underground storage tank corrective action program.

The cost of remediation is estimated to be \$190,322 as of 2020, subject to price increases and other required services not included in the estimate. The City expects no recoveries to reduce the liability for the cost of remediation.

In 2020, the City entered into an agreement with the County to repay \$257,200 of Lorain County Solid Waste Management Grant funds. An amortization schedule is not available as the County must do an annual review to determine the amount to be repaid.

Compensated absences and employer pension contributions have historically been, and will be, paid from the general fund, the community development, streets, Victim of Crime Advocate grant, fire levy, police levy, and municipal court special revenue funds, the general sewer and municipal court improvements capital projects funds, the water works and water pollution control enterprise funds, and the garage and hospitalization internal service funds, the fund from which the employees' salaries are paid. The City pays obligations related to employee compensation and employer pension contributions from the fund benefitting from their service. There is no repayment schedule for the net pension and OPEB liability.

See Note 15 and 16 for additional information related to the net pension and net OPEB liability. See note 24 for further information regarding the asset retirement obligation.

The OWDA water facility loans, and the capital leases for copiers/scanners and equipment will be paid from water user charges. The OWDA sewer facility loans, and the capital leases for copiers/scanners and equipment will be paid from sewer user charges.

The City has pledged future revenues to repay OWDA loans in the Water Works fund. The debt is payable solely from net revenues and is payable through 2037. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 45 percent of net revenues and less than 24 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$57,151,009. Principal and interest payments for the current year were \$4,748,897, net revenues were \$6,415,493, and total revenues were \$15,107,173.

The City has pledged future revenues to repay OWDA loans in the Water Pollution Control fund. The debt is payable solely from net revenues and is payable through 2036. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 96 percent of net revenues and less than 40 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$79,228,959. Principal and interest payments for the current year were \$7,454,806, net revenues were \$9,283,129, and total revenues were \$19,969,870.

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**NOTE 12: LONG-TERM OBLIGATIONS** (Continued)

The City's direct borrowings from OWDA contain a provision that in an event of default the amount of such default shall bear interest at the default rate from the due date until the date of the payment. In addition to the interest, a late charge of one percent on the amount of each default shall also be paid to OWDA by the City from the pledged revenues for failure to make the payment.

The City's total direct borrowings from OPWC contain a provision that in an event of default the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due. Also, OPWC may direct the county treasurer to pay the outstanding amount from the portion of the local government fund that would otherwise be remitted to the City.

For the ODOD Urban Development loans, ODOT State Infrastructure Bank loans and the Installment loans, in an even of default the entire unpaid balance of the loan, including accrued interest on the outstanding balance plus any legal fees related to the event of default, is immediately due and payable.

The City's overall legal debt margin was \$61,324,371 at December 31, 2020.

**Governmental Activities**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		ODOD Urban Redevelopment Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 3,816,474	\$ 1,537,032	\$ 93,526	\$ 51,198	\$ 260,569	\$ 7,051
2022	3,922,113	1,407,097	97,887	46,107	53,495	435
2023	3,965,494	1,278,167	104,506	40,648	-	-
2024	4,029,827	1,146,307	70,173	34,814	-	-
2025	3,994,827	1,009,983	70,173	30,581	-	-
2026-2030	13,631,221	3,254,807	393,779	82,001	-	-
2031-2035	7,546,114	1,292,518	43,887	2,393	-	-
2036-2039	3,580,000	285,979	-	-	-	-
Total	<u>\$ 44,486,070</u>	<u>\$ 11,211,890</u>	<u>\$ 873,931</u>	<u>\$ 287,742</u>	<u>\$ 314,064</u>	<u>\$ 7,486</u>

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**NOTE 12: LONG-TERM OBLIGATIONS** (Continued)

Years	ODOT State Infrastructure Bank						
	OPWC Loans	Loans		Installment Loans		Total Governmental Activities	
	Principal	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 251,795	\$ 1,397,790	\$ 195,493	\$ 347,000	\$ 189,434	\$ 6,167,154	\$ 1,980,208
2022	235,732	1,417,335	153,580	335,000	180,921	6,061,562	1,788,140
2023	199,267	1,085,100	112,295	325,000	170,943	5,679,367	1,602,053
2024	192,748	949,100	81,993	335,000	160,652	5,576,848	1,423,766
2025	186,229	977,786	53,306	345,000	150,046	5,574,015	1,243,916
2026-2030	594,665	1,041,710	44,862	1,915,000	545,015	17,576,375	3,926,685
2031-2035	94,895	-	-	1,696,250	157,235	9,381,146	1,452,146
2036-2039	-	-	-	-	-	3,580,000	285,979
Total	<u>\$ 1,755,331</u>	<u>\$ 6,868,821</u>	<u>\$ 641,529</u>	<u>\$ 5,298,250</u>	<u>\$ 1,554,246</u>	<u>\$ 59,596,467</u>	<u>\$ 13,702,893</u>

**Business-Type Activities:**

Years	OWDA Loans		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$7,741,449	\$3,197,965	\$7,741,449	\$3,197,965
2022	7,532,884	2,977,629	7,532,884	2,977,629
2023	7,762,489	2,757,010	7,762,489	2,757,010
2024	7,884,640	2,529,288	7,884,640	2,529,288
2025	7,914,738	2,300,217	7,914,738	2,300,217
2026-2030	37,937,854	8,043,479	37,937,854	8,043,479
2031-2035	33,759,260	2,745,649	33,759,260	2,745,649
2036-2039	1,230,019	65,398	1,230,019	65,398
Total	<u>\$111,763,333</u>	<u>\$24,616,635</u>	<u>\$111,763,333</u>	<u>\$24,616,635</u>

The City has entered into contractual agreements for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of these agreements, the OWDA will reimburse, advance or directly pay the construction costs of approved projects. The OWDA will capitalize administrative costs and construction interest and then add them to the total amount of the final loan. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore, are not included in the schedule of future annual debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

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(CONTINUED)**

NOTE 12: **LONG-TERM OBLIGATIONS** (Continued)

The balances of these loans are as follows:

<b><u>Enterprise Funds</u></b>	December 31, 2020	
	<u>Principal Outstanding</u>	<u>Amount Financed</u>
<i>Water Works:</i>		
East Lorain Waterline Replacement Design	\$124,387	\$176,088
Water Treatment Plant Master Plan	288,315	494,104
Red Hill Transmission Main Design	285,045	561,136
Martins Run Pump Station	155,700	457,900
Black River WWTP Mechanical Bar Screen	1,328,863	1,391,360
Black River WWTP Digester Improvement	839	240,550
Water Main Replacement System	77,617	301,777
Total Loans not Finalized	<u>\$2,260,766</u>	<u>\$3,622,915</u>

NOTE 13: **CAPITAL LEASES**

During 2020, the City entered into a lease for 30 patrol cars for the police department. In previous years the City entered into leases for equipment and fleet vehicles for streets, parks, cemetery, building department, water and water pollution control. Included in the leases are fleet vehicles consisting of pickup trucks and vans, dump trucks, a mini excavator, a tractor, equipment trailers, an asphalt recycler, diesel pumps, a camera truck, a jet/vactor combination truck, and zero turn mowers. The City also entered into leases for police cruisers, copiers/scanners for various departments, the acquisition of computer hardware and software to upgrade the City's existing general accounting, utilities, and income tax systems, street, electrical, parks, cemetery, general sewer, fire, water, and water pollution control equipment, fleet vehicles, an IP phone system and software. All leases are secured by the related property as mentioned above. The City's lease obligations meet the criteria of a capital lease. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

As part of the agreement for the 2018 lease for streets, parks, cemetery, building department, water, and water pollution control equipment, Fifth Third Bank, the lessor, deposited \$3,794,021 in an escrow account in 2018 so that the City could obtain the equipment from various vendors. As of December 31, 2020, the balance of escrow account in the amount of \$135,141 will be paid to the vendors in 2021 at the direction of the City upon receipt of the equipment.

In the event of a default the lender may require the City, at the City's cost, to promptly deliver possession of the collateral to the lender, and may recover all expenses and collection costs which the lender has incurred.

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**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 13: **CAPITAL LEASES** (Continued)

Capital assets acquired by leases have been capitalized and depreciated as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<i>Capital Assets, Being Depreciated:</i>		
Machinery and Equipment	\$ 11,843,004	\$ 5,705,739
Less Accumulated Depreciation:		
Machinery and Equipment	(4,663,634)	(1,436,948)
<i>Capital Assets, Net</i>	<u>\$ 7,179,370</u>	<u>\$ 4,268,791</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of minimum lease payments as of December 31, 2020:

<b>Year Ending December 31,</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2021	\$ 974,736	\$ 463,725
2022	971,668	463,725
2023	345,292	309,150
2024	1,384	0
2025	0	0
Total Minimum Lease Payments	2,293,080	1,236,600
Less: Amount Representing Interest	(94,081)	(71,800)
Present Value of Minimum Lease Payments	<u>\$2,198,999</u>	<u>\$1,164,800</u>

NOTE 14: **COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. The maximum amount of banked vacation time that can be accrued is the total that can be earned in three years. Earned banked vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours of accumulated, unused sick leave.

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NOTE 15: **DEFINED BENEFIT PENSION PLAN**

**Net Pension Liability**

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

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

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

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

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

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

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

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

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

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

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

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



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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

A death benefit of \$500 - \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

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

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

	State and Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
 <b>2020 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

- \* Member contributions within 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 remainder going to pension.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for 2020 for the Traditional and Combined plans. The portion of the employer’s contribution allocated to health care was 4% for the Member-Directed plan for 2020. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contributions was \$2,094,276 for fiscal year ending December 31, 2020. Of this amount, \$282,816 is reported as an intergovernmental payable.

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

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit. The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members’ base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent. The COLA amount for a member with at least 15 years of service credit as of July 1, 2013 is aged to 3 percent of their base pension or disability benefits.

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

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

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$2,837,362 for 2020. Of this amount, \$282,959 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/asset for OPERS was measured as of December 31, 2019, and the total pension liability/asset used to calculate the net pension liability/asset 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/asset 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:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.109251%	0.2733390%	0.2363220%	
Proportion of the Net Pension Liability Current Measurement Date	0.111959%	0.2693811%	0.2173051%	
Change in Proportionate Share	<u>0.002708%</u>	<u>-0.0039579%</u>	<u>-0.0190169%</u>	
Proportionate Share of the Net Pension Liability	\$ 22,129,456	\$ 18,146,952	\$ 14,638,833	\$ 54,915,241
Pension Expense	\$ 3,716,299	\$ 2,143,265	\$ 1,249,872	\$ 7,109,436

**CITY OF LORAIN**  
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**(CONTINUED)**

NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

	<u>OPERS</u>	<u>OP&amp;F Police</u>	<u>OP&amp;F Fire</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ -	\$ 686,921	\$ 554,130	\$ 1,241,051
Changes of assumptions	1,181,971	445,460	359,345	1,986,776
Changes in proportion and differences between City contributions and proportionate share of contributions	490,285	57,144	-	547,429
City contributions subsequent to the measurement date	<u>2,094,276</u>	<u>1,532,000</u>	<u>1,305,362</u>	<u>4,931,638</u>
Total Deferred Outflows of Resources	<u>\$ 3,766,532</u>	<u>\$ 2,721,525</u>	<u>\$ 2,218,837</u>	<u>\$ 8,706,894</u>
<b>Deferred Inflows of Resources</b>				
Net difference between projected and actual earnings on pension plan investments	\$ 4,414,326	\$ 876,645	\$ 707,174	\$ 5,998,145
Differences between expected and actual experience	279,795	935,911	754,985	1,970,691
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>-</u>	<u>772,014</u>	<u>1,913,105</u>	<u>2,685,119</u>
Total Deferred Inflows of Resources	<u>\$ 4,694,121</u>	<u>\$ 2,584,570</u>	<u>\$ 3,375,264</u>	<u>\$ 10,653,955</u>

\$4,931,638 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F Police</u>	<u>OP&amp;F Fire</u>	<u>Total</u>
Year Ending December 31:				
2021	\$ (152,627)	\$ (366,431)	\$ (774,654)	\$ (1,293,712)
2022	(1,299,256)	(293,081)	(581,950)	(2,174,287)
2023	182,798	223,575	(55,874)	350,499
2024	(1,752,780)	(860,203)	(896,136)	(3,509,119)
2025	<u>-</u>	<u>(98,905)</u>	<u>(153,175)</u>	<u>(252,080)</u>
Total	<u>\$ (3,021,865)</u>	<u>\$ (1,395,045)</u>	<u>\$ (2,461,789)</u>	<u>\$ (6,878,699)</u>

**CITY OF LORAIN  
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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 1.40 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan.

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at a gain of 17.23 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 benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	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	<u>100.00 %</u>	5.61 %

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability	\$ 36,498,634	\$ 22,129,456	\$ 9,211,987

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

**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 pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, 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	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the 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.



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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

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

The most recent experience study was completed 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 expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
International Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Private Real Estate	12.00	5.40	6.40
Private Markets	8.00	6.10	8.00
Midstream Energy Infrastructure	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	8.00	6.90	7.40
Total	120.00 %		

Note: Assumptions are geometric  
\* levered 2x  
\*\* numbers are net of expected inflation

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

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

**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 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 45,439,959	\$ 32,785,785	\$ 22,201,824

***Changes Between Measurement Date and Report Date***

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of OP&F, including the fair value of OP&F’s investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on the OP&F’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 16: **DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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LORAIN COUNTY, OHIO  
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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Net OPEB Liability** (Continued)

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually. Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 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 \$22,453 for 2020.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place.

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses. As a result of this change, it is expected that the solvency of the Health Care Stabilization Fund (HCSF) will be extended allowing OP&F to provide stipends to eligible participants.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 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 and is limited by the provisions of Sections 115 and 401(h).

The City's contractually required contribution to OP&F was \$68,090 for 2020. Of this amount, \$6,818 is reported as an intergovernmental payable.

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**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: Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.106844%	0.5096613%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.109813%</u>	<u>0.4866862%</u>	
Change in Proportionate Share	<u>0.002969%</u>	<u>-0.022975%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 15,168,028	\$ 4,807,355	\$ 19,975,383
OPEB Expense	\$ 1,777,324	\$ 345,861	\$ 2,123,185

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 408	\$ -	\$ 408
Changes of assumptions	2,400,939	2,810,564	5,211,503
Changes in proportion and differences between City contributions and proportionate share of contributions	305,051	-	305,051
City contributions subsequent to the measurement date	22,453	68,090	90,543
Total Deferred Outflows of Resources	<u>\$ 2,728,851</u>	<u>\$ 2,878,654</u>	<u>\$ 5,607,505</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 1,387,187	\$ 516,984	\$ 1,904,171
Changes of assumptions	-	1,024,520	1,024,520
Net difference between projected and actual earnings on OPEB plan investments	772,352	221,215	993,567
Changes in proportion and differences between City contributions and proportionate share of contributions	16,023	726,700	742,723
Total Deferred Inflows of Resources	<u>\$ 2,175,562</u>	<u>\$ 2,489,419</u>	<u>\$ 4,664,981</u>

\$90,543 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&amp;F</u>	<u>Total</u>
2021	\$588,837	\$43,554	\$632,391
2022	271,419	43,556	314,975
2023	613	88,933	89,546
2024	(330,033)	17,394	(312,639)
2025	-	58,665	58,665
Thereafter	-	69,043	69,043
Total	<u>\$530,836</u>	<u>\$321,145</u>	<u>\$851,981</u>

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 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	2.75 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.25 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

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



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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.70 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	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	<u>100.00 %</u>	<u>4.55 %</u>

***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.

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

***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:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$ 19,849,798	\$ 15,168,028	\$ 11,419,454

***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	\$ 14,720,433	\$ 15,168,028	\$ 15,609,918

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

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

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 reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

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	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 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

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

The long-term expected rate of return on OPEB 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.

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

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>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
Non-US Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Real Estate	12.00	6.90	7.40
Private Markets	8.00	6.10	8.00
Master Limited Partnerships	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	8.00	6.90	7.40
Total	<u>120.00 %</u>		

Note: Assumptions are geometric

\* levered 2x

\*\* numbers are net of expected inflation

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the 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 OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 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. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 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.

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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

***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 (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$5,960,811	\$4,807,355	\$3,848,915

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

***Changes between Measurement Date and Report Date*** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of OP&F, including the fair value of OP&F's investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on the OP&F's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**NOTE 17: SIGNIFICANT COMMITMENTS**

**Contractual Commitments**

As of December 31, 2020, the City had the following contract balances for various construction projects:

Water Distribution Building Roof Replacement	\$ 730,989
Sanitary Sewer Relining Project	726,488
West Lorain Waterline Improvement	672,667
Lower Black River Dredge Reuse Facility Project	636,408
Black River Remediation and Restoration Project	603,536
Black River Waste Water Treatment Plant Digester Improvement	398,961
South Lorain Waterline Replacement	372,491
Water Main Replacement Program	226,031
Martins Run Pump Station Relocation Project	220,474
Broadway Avenue Streetscape	132,591
Municipal Court Case Management System	105,511
Fire Station #7 Construction	88,472
Black River Waste Water Treatment Plant Mechanical Bar Screen	37,772
	<u>\$ 4,952,391</u>

Remaining commitment amounts were encumbered at year end.

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<b><i>Governmental Funds:</i></b>	
General Fund	\$ 387,075
Coronavirus Relief	49,771
Capital Improvements	30,923
Nonmajor Funds	3,682,128
Total Governmental	<u>\$ 4,149,897</u>

**NOTE 18: JOINTLY GOVERNED ORGANIZATION**

**Elyria Township – City of Lorain Joint Economic Development District**

In December 2020, the City entered into a contract with Elyria Township to create a Joint Economic Development District (JEDD). The purpose of this contract is to facilitate economic development; create jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the State, Township, City, and District. The JEDD is governed by a Board of Directors.

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NOTE 18: **JOINTLY GOVERNED ORGANIZATION** (Continued)

The JEDD's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board which consists of five members. The City of Lorain appoints two members of the Board, the Township two members and the fifth member, serving as chairperson, is elected by the other four Board members. The agreement results in an income tax that shall be imposed based on the City's Municipal Code at a rate of 2.5% to be paid by employees of businesses located in the District and on the net profits of businesses located in the District. The City will receive 75% of the revenues generated by this agreement. The initial term of the contract expires on December 31, 2050. The contract provides for automatic renewal of the contract at expiration of 50 years and will continue to be automatically renewed for 50 year periods unless legislative authorities of both the City and Township affirmatively act to terminate the contract. The City received \$5,479 in revenues from the JEDD in 2020.

**Lorain County General Health District**

The City participates in the Lorain County General Health District (Health District), a jointly governed organization, which provides health services to the citizens within the Health District. The Health District is governed by the Board of Health which represents the area serviced by the Health District and oversees the operation of the Health District. The Health District's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Board of Health members are appointed to staggered five-year terms.

One member is appointed by the City of Lorain, one member is appointed by the City of North Ridgeville, one member is jointly appointed by the cities of Avon and Sheffield Lake and one member is appointed jointly by the cities of Amherst and Oberlin. The remaining four members are appointed by the various mayors of villages, chairmen of the township trustees and the County Commissioners. During 2020, the City contributed \$117,899 to the operation of the Health District. Financial information can be obtained by contacting the Lorain County General Health District, 9880 S. Murray Ridge Road, Elyria, Ohio, 44035 or at the website [LorainCountyHealth.com](http://LorainCountyHealth.com).

**Northeast Ohio Areawide Coordinating Agency**

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 38 member board that includes the Mayor of the City of Lorain. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2020, the City contributed \$13,379 to the agency.

**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.



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NOTE 18: **JOINTLY GOVERNED ORGANIZATION** (Continued)

NOPEC is currently comprised of over 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens.

The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. 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, Board Chairman, 31320 Solon Road Suite 20, Solon, Ohio 44139 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

NOTE 19: **RELATED ORGANIZATION**

The Lorain Port Authority was formed to promote waterborne commerce, provide economic opportunities and to enhance public access to waterways within the City of Lorain. The Mayor of the City appoints the nine Port Authority Board Members. The Port Authority hires and fires its own staff and does not rely on the City to finance deficits.

The City is not financially accountable for the Port Authority nor is the Port Authority financially dependent on the City. The Port Authority serves as its own budgeting, taxing, and debt issuance authority.

NOTE 20: **SHARED RISK POOL**

**Public Entity Risk Consortium (PERC)**

The City participates in PERC, a shared risk joint self-insurance pool restricted to mid-size public entities including pools. PERC was formed as an Ohio not-for-profit corporation as authorized by Ohio Revised Code Section 2744.081 and operates a property, crime, and liability insurance program. The Public Entity Risk Consortium (PERC) is a shared risk pool comprised of Tuscarawas County, Wayne County, the City of Lorain and the member participants of four pools: the Buckeye Ohio Risk Management Association, Inc. (BORMA); the Midwest Pool Risk Management Agency, Inc. (MPRMA); the Ohio Housing Authority Property and Casualty, Inc. (OHAPCI); and the State Housing Authority Risk Pool Association, Inc. (SHARP). Each member appoints one person to represent the City on the Board of Trustees. The Board of Directors consists of five trustees as determined by Board of Trustee vote. The Board of Directors governs and administers PERC. Each member's control over the budgeting and financing of PERC is limited to its voting authority and any representation it may have on the Board of Directors. Participation in PERC is by written application subject to approval of the Board of Directors and the payment of premiums. Members are required to remain members of PERC until the end of the PERC fiscal year (November 30). Any member may withdraw from PERC at the end of the PERC fiscal year upon providing at least three months prior written notice.

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NOTE 20: **SHARED RISK POOL** (Continued)

After withdrawal, the former member continues to be fully obligated for its portion of any claim against the assets of the joint self-insurance pool that was created during the term of its membership. In addition, any distribution of surplus PERC funds allocable to the withdrawing member are forfeited by the withdrawing member and is distributed to the then remaining members in proportion to their interest in the surplus funds or other equitable manner as determined by the Board of Directors. In 2020, the City made payments in the amount of \$607,900 to PERC. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., MK Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, OH 44113.

NOTE 21: **INTERFUND TRANSFERS AND BALANCES**

**Interfund Transfers**

Transfers are primarily from the general fund to various funds within the City. The general fund transferred funds to help finance the various programs accounted for in other funds.

Transfers were made from the streets, municipal court, police levy, general sewer, municipal court improvements, water, water pollution control, garage, and hospitalization funds to the general fund for the purpose of continued funding of the compensated absences and payroll reserve funds.

Transfers are also made to cover the various debt obligations of the City from the general fund, the streets, permissive license, fire levy, police levy, police pension, and fire pension special revenue funds to the general obligation bond retirement fund.

A transfer was made from the fire levy special revenue fund to the fire improvement capital improvement fund for project costs related to the construction of a new fire station.

Transfers made during the year ended December 31, 2020 were as follows:

	<b>Transfer From</b>					Totals
	Governmental Funds		Enterprise Funds		Internal Service Funds	
	General	Other Governmental Funds	Water Works	Water Pollution Control		
<b><u>Transfer To</u></b>						
<b><u>Governmental Funds</u></b>						
General	\$ -	\$ 29,084	\$ 33,387	\$ 37,650	\$ 3,861	\$ 103,982
G.O. Bond Retirement	1,143,410	3,403,307	-	-	-	4,546,717
Capital Improvements		936,000	-	-	-	936,000
Other Governmental Funds	116,258	-	-	-	-	116,258
<b>Total Governmental Funds</b>	<b>1,259,668</b>	<b>4,368,391</b>	<b>33,387</b>	<b>37,650</b>	<b>3,861</b>	<b>5,702,957</b>
<b>Total</b>	<b>\$ 1,259,668</b>	<b>\$ 4,368,391</b>	<b>\$ 33,387</b>	<b>\$ 37,650</b>	<b>\$ 3,861</b>	<b>\$ 5,702,957</b>

**CITY OF LORAIN  
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NOTE 21: **INTERFUND TRANSFERS AND BALANCES** (Continued)

**Interfund Balances**

The interfund balances as of December 31, 2020 represent, unallocated municipal court fines, utility and petroleum costs. Interfund balances for the year ended December 31, 2020 consisted of the following:

<b><u>Interfund Payable</u></b>	<b><u>Interfund Receivable</u></b>				<b><u>Totals</u></b>
	<b><u>Governmental Funds</u></b>		<b><u>Enterprise Fund</u></b>		
	<b><u>General</u></b>	<b><u>Other Governmental Funds</u></b>	<b><u>Water Pollution Control</u></b>	<b><u>Internal Service Funds</u></b>	
<b><u>Governmental Funds</u></b>					
General	\$ -	\$ 29,667	\$ -	\$ 29,022	\$ 58,689
Other Governmental Funds	229,341		1,937	73,582	304,860
<i>Total Governmental Funds</i>	<u>229,341</u>	<u>29,667</u>	<u>1,937</u>	<u>102,604</u>	<u>363,549</u>
<b><u>Enterprise Funds</u></b>					
Water Works	-	-	-	9,280	9,280
Water Pollution Control	-	-	-	7,253	7,253
<i>Total Enterprise Funds</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,533</u>	<u>16,533</u>
<i>Total</i>	<u>\$ 229,341</u>	<u>\$ 29,667</u>	<u>\$ 1,937</u>	<u>\$ 119,137</u>	<u>\$ 380,082</u>

NOTE 22: **CONTINGENCIES**

**Grants**

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. In 2015, the Federal Bureau of Investigation began reviewing the Community Development Block Grant program expenses for compliance with terms and conditions specified in the grant award. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the City at December 31, 2020.

**Litigation**

The City is a defendant in various lawsuits seeking damages. City management cannot presently determine the outcome of such litigation or predict the likelihood or amount of liability, if any, the City may incur as a result of these matters. However, the City has entered into a settlement agreement for an amount payable in 2021 and is recorded as a liability in the water pollution control fund.

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 23: **TAX ABATEMENTS**

As of December 31, 2020, the City of Lorain provided tax incentives under two programs: The Community Reinvestment Area (CRA) and the Job Creation Incentive Program.

**Real Estate tax abatements:** Pursuant to Ohio Revised Code Chapter 3735.65-.70, the City established its first Community Reinvestment Area (CRA) in 1980 with amendments in 1985, 1988, 1989, 1990 and 2010. Legislation passed by Lorain City Council determined boundaries in which the tax abatement is permitted. The City of Lorain currently has five (5) CRA areas in the city.

CRA Areas 1 through 4 have tax abatements granted for the following period:

50% exemption of real estate tax on improvements for one year, unless otherwise contractually agreed to by the City Council, city Administration, and the owner/developer of such improvements as described in ORC Section 3735.67.

CRA Area 5 has tax abatements granted for the following periods:

- a) 10 years for the remodeling of every dwelling containing not more than two family units upon which the cost of remodeling is at least two thousand, five hundred dollars as described in division A of ORC Section 3735.67.
- b) 12 years for the remodeling of every dwelling containing more than two units, and commercial or industrial properties, upon which the cost of remodeling is at least five thousand dollars as described in division B of ORC Section 3735.67.
- c) 15 years for the construction of every dwelling, commercial or industrial structures as described in Section C of ORC 3735.67.

The City of Lorain authorizes incentives through passage of public ordinances. The City is permitted to enter into a Community Reinvestment Area Tax Abatement Agreement with individual developers and set forth terms and conditions for each specific agreement to promote commercial development. The total amount of taxes abated for the year ended December 31, 2020 was \$833,199.

**Income tax abatement programs:** Pursuant to Ohio Revised Code Chapter 718 and City Ordinance, the City provides an incentive to eligible companies based upon their gross annual payroll, the amount of income tax generated annually and the number of jobs created and/or maintained by the business. The abatement is administered as a refund based on the prior year's withholding taxes. Also, the time period of the incentive in years, is negotiated on an individual basis with the City Administration and each company. The City of Lorain has only one active Job Creation Incentive agreement. For the calendar year ended December 31, 2020, the total amount of taxes abated through this program was \$40,738.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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**NOTE 24: ASSET RETIREMENT OBLIGATIONS**

State and/or Federal laws and regulations require the City to go through a decommissioning process if their water booster station were to close. Through the decommissioning process, the City would be responsible to remediate any public safety issues associated with their water booster station. These asset retirement obligations (ARO) of \$384,425 associated with the City water treatment facilities were estimated by the City engineer.

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage 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 wastewater treatment and main water treatment plant facilities. At this time, due to limitations associated with the existing plant's age and building materials within the plants, the engineer consulted would not have a reasonable estimate to calculate a liability for this year.

**NOTE 25: COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Chillicothe MHA. The investments of the pension and other employee benefit plan in which the Authority participates fluctuate with market conditions, and due to market volatility, the amounts of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 26: SUBSEQUENT EVENTS**

On May 4, 2021 the voters of the City passed, by an overwhelming majority, a renewal real estate tax levy of 1.70 mills per each \$1 of valuation, or \$0.17 for each \$100 of valuation, for the purpose of providing and maintaining adequate fire services, fire apparatus, appliances, and buildings or sites. The renewal levy was passed with 78.6% voting for and 21.4% voting against. The renewal tax levy is a five year temporary levy commencing in 2021. First collections from the renewal levy will be in 2022. The levy is anticipated to generate approximately \$1.4 million annually for the operations of the fire department for the next five years.

On January 28, 2021 the City entered into a loan agreement with the Ohio Water Development Authority for the Black River Wastewater Treatment Plant Primary Clarifier Rehabilitation project in the amount of \$1,676,000. The loan is payable over a term of twenty years with payments to be made semi-annually beginning on January 1, 2023 at an interest rate of 0.53 percent.

On February 25, 2021 the City entered into a loan agreement with the Ohio Water Development Authority (OWDA) for the Red Hill Pressure Zone Improvements Phase 1 project in the amount of \$8,011,276. The loan is payable over a term of twenty years with payments to be made semi-annually beginning on July 1, 2023 at an interest rate of 0.43 percent. On April 29, 2021 the City entered into a supplemental loan agreement with OWDA for the project in the amount of \$1,370,240. This portion of the loan is payable over a term of twenty years with payments to be made semi-annually beginning on July 1, 2023 at an interest rate of 0.60 percent.

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 26: **SUBSEQUENT EVENTS** (Continued)

On June 16, 2021 the City issued a bond anticipation note (BAN) in the amount of \$2,835,000 for the purpose of refunding the 2020 Broadway Streetscape Improvements BAN, having a principal amount of \$2,800,000, along with an additional \$35,000 for payment of interest on the 2020 Broadway Streetscape Improvements BAN and associated issuance costs. The BAN matures on December 1, 2021 and bears an interest rate of 1.50 percent.

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System*  
*Last Seven Years (1)*

<b>Traditional Plan</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.111959%	0.109251%	0.106705%	0.111445%	0.122285%	0.116174%	0.116174%
City's Proportionate Share of the Net Pension Liability	\$ 22,129,456	\$ 29,921,634	\$ 16,739,946	\$ 25,307,264	\$ 21,181,303	\$ 14,011,822	\$ 13,695,342
City's Covered Payroll	\$ 15,754,243	\$ 14,766,571	\$ 14,092,454	\$ 14,020,158	\$ 15,027,383	\$ 14,248,142	\$ 13,936,769
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.47%	202.63%	118.79%	180.51%	140.95%	98.34%	98.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information

**CITY OF LORAIN**  
**LORAIN COUNTY, 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)*

<b>Police</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.2693811%	0.2733390%	0.2760370%	0.2816881%	0.2975640%	0.2917183%	0.2917183%
City's Proportionate Share of the Net Pension Liability	\$ 18,146,952	\$ 22,311,685	\$ 16,941,636	\$ 17,841,839	\$ 19,142,501	\$ 15,484,739	\$ 14,207,596
City's Covered Payroll	\$ 7,107,537	\$ 6,937,437	\$ 6,715,974	\$ 6,809,505	\$ 6,687,100	\$ 6,425,379	\$ 5,259,549
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	255.32%	321.61%	252.26%	262.01%	286.26%	240.99%	270.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%
<b>Fire</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.2173051%	0.2363220%	0.2375908%	0.2471344%	0.2708310%	0.2861849%	0.2861849%
City's Proportionate Share of the Net Pension Liability	\$ 14,638,833	\$ 19,290,120	\$ 14,582,019	\$ 15,653,242	\$ 17,422,748	\$ 15,191,020	\$ 13,938,103
City's Covered Payroll	\$ 4,667,132	\$ 4,846,438	\$ 4,695,264	\$ 5,041,979	\$ 5,111,362	\$ 5,096,447	\$ 4,319,624
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	313.66%	398.03%	310.57%	310.46%	340.86%	298.07%	322.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information



**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of the City's Contributions - Pension*  
*Ohio Public Employees Retirement System*  
*Last Eight Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 2,094,276	\$ 2,205,594	\$ 2,067,320	\$ 1,832,019	\$ 1,682,419	\$ 1,803,286	\$ 1,709,777	\$ 1,811,780
Contributions in Relation to the Contractually Required Contribution	<u>(2,094,276)</u>	<u>(2,205,594)</u>	<u>(2,067,320)</u>	<u>(1,832,019)</u>	<u>(1,682,419)</u>	<u>(1,803,286)</u>	<u>(1,709,777)</u>	<u>(1,811,780)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 14,959,114	\$ 15,754,243	\$ 14,766,571	\$ 14,092,454	\$ 14,020,158	\$ 15,027,383	\$ 14,248,142	\$ 13,936,769
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of the City's Contributions - Pension*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Contractually Required Contributions</u>										
Police	\$ 1,532,000	\$ 1,350,432	\$ 1,318,113	\$ 1,276,035	\$ 1,293,806	\$ 1,270,549	\$ 1,220,822	\$ 827,327	\$ 769,719	\$ 781,322
Fire	<u>1,305,362</u>	<u>1,096,776</u>	<u>1,138,913</u>	<u>1,103,387</u>	<u>1,184,865</u>	<u>1,201,170</u>	<u>1,197,665</u>	<u>873,860</u>	<u>836,361</u>	<u>866,671</u>
Total Required Contributions	\$ 2,837,362	\$ 2,447,208	\$ 2,457,026	\$ 2,379,422	\$ 2,478,671	\$ 2,471,719	\$ 2,418,487	\$ 1,701,187	\$ 1,606,080	\$ 1,647,993
Contributions in Relation to the Contractually Required Contribution	<u>(2,837,362)</u>	<u>(2,447,208)</u>	<u>(2,457,026)</u>	<u>(2,379,422)</u>	<u>(2,478,671)</u>	<u>(2,471,719)</u>	<u>(2,418,487)</u>	<u>(1,701,187)</u>	<u>(1,606,080)</u>	<u>(1,647,993)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll										
Police	\$ 8,063,158	\$ 7,107,537	\$ 6,937,437	\$ 6,715,974	\$ 6,809,505	\$ 6,687,100	\$ 6,425,379	\$ 5,259,549	\$ 6,037,012	\$ 6,128,016
Fire	\$ 5,554,732	\$ 4,667,132	\$ 4,846,438	\$ 4,695,264	\$ 5,041,979	\$ 5,111,362	\$ 5,096,447	\$ 4,319,624	\$ 4,848,470	\$ 5,024,180
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%

[1] – The portion of the City's contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City's contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

See accompanying notes to the required supplementary information

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net OPEB Liability*  
*Ohio Public Employees Retirement System*  
*Last Four Years (1)*

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.109813%	0.106844%	0.104360%	0.109680%
City's Proportionate Share of the Net OPEB Liability	\$ 15,168,028	\$ 13,929,935	\$ 11,332,727	\$ 11,078,053
City's Covered Payroll	\$ 16,423,964	\$ 15,497,350	\$ 14,782,311	\$ 14,771,293
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	92.35%	89.89%	76.66%	75.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information

**CITY OF LORAIN**  
**LORAIN COUNTY, 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	0.4866862%	0.5096613%	0.5136278%	0.5288200%
City's Proportionate Share of the Net OPEB Liability	\$ 4,807,355	\$ 4,641,248	\$ 29,101,430	\$ 25,101,896
City's Covered Payroll	\$ 11,774,669	\$ 11,783,875	\$ 11,411,238	\$ 11,851,484
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.83%	39.39%	255.02%	211.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information.

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of the City's Contributions - OPEB*  
*Ohio Public Employees Retirement System*  
*Last Six Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 22,453	\$ 23,244	\$ 20,298	\$ 160,732	\$ 303,269	\$ 311,969
Contributions in Relation to the Contractually Required Contribution	<u>(22,453)</u>	<u>(23,244)</u>	<u>(20,298)</u>	<u>(160,732)</u>	<u>(303,269)</u>	<u>(311,969)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 15,762,536	\$ 16,423,964	\$ 15,497,350	\$ 14,782,311	\$ 14,771,293	\$ 16,016,935
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.13%	1.09%	2.05%	1.95%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

**CITY OF LORAIN**  
**LORAIN COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of the City's Contributions - OPEB*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 68,090	\$ 58,874	\$ 58,919	\$ 57,056	\$ 57,892	\$ 58,634	\$ 62,503	\$ 314,024	\$ 734,754	\$ 752,759
Contributions in Relation to the Contractually Required Contribution	<u>(68,090)</u>	<u>(58,874)</u>	<u>(58,919)</u>	<u>(57,056)</u>	<u>(57,892)</u>	<u>(58,634)</u>	<u>(62,503)</u>	<u>(314,024)</u>	<u>(734,754)</u>	<u>(752,759)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 13,617,890	\$ 11,774,669	\$ 11,783,875	\$ 11,411,238	\$ 11,851,484	\$ 11,798,462	\$ 11,521,826	\$ 9,579,173	\$ 10,885,482	\$ 11,152,196
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

See accompanying notes to the required supplementary information

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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***OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)***

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018-2020.

*Changes in assumptions:* For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**OHIO POLICE AND FIRE (OP&F) PENSION FUND**

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2020, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018 and 2020. For 2019, see below regarding changes to stipend-based model.

*Changes in assumptions:* For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56.



**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Pass-Through to Subrecipient	Total Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Direct Programs</i>				
CDBG-Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-39-0016	\$ 0	\$ 2,062
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-39-0016	0	57,161
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-39-0016	0	2,516
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-39-0016	0	172,602
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-39-0016	40,345	586,116
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-39-0016	610	59,377
Community Development Block Grants/Entitlement Grants - COVID-19	14.218	B-20-MW-39-0016	0	39,066
Total CDBG-Entitlement Grants Cluster			<u>40,955</u>	<u>918,900</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>40,955</u>	<u>918,900</u>
<b><u>U.S. Department of Commerce</u></b>				
<i>Direct Program</i>				
Economic Development Cluster:				
Economic Adjustment Assistance	11.307	N/A	0	2,538,070
Total Economic Development Cluster			<u>0</u>	<u>2,538,070</u>
<i>Total Direct Program</i>			<u>0</u>	<u>2,538,070</u>
<i>Passed Through Ohio Department of Natural Resources</i>				
Coastal Zone Management Administration Awards	11.419	ONRFHCZ18B306-12	0	59,997
<i>Total Passed Through Ohio Department of Natural Resources</i>			<u>0</u>	<u>59,997</u>
<b>Total U.S. Department of Commerce</b>			<u>0</u>	<u>2,598,067</u>
<b><u>U.S. Department of Justice</u></b>				
<i>Direct Programs</i>				
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BY0296	0	41,127
Equitable Sharing Program	16.922	N/A	0	66,331
<i>Total Direct Programs</i>			<u>0</u>	<u>107,458</u>
<i>Passed Through Office of Ohio Attorney General</i>				
Crime Victim Assistance	16.575	2021-VOCA-133976476	0	49,056
Crime Victim Assistance	16.575	2020-VOCA-132923414	0	83,641
<i>Total CFDA #16.575</i>			<u>0</u>	<u>132,697</u>
<i>Passed Through Ohio Department of Public Safety</i>				
Project Safe Neighborhoods	16.609	2018-PS-PSD-437	0	21,530
Project Safe Neighborhoods	16.609	2019-PS-PSN-437	0	9,570
<i>Total CFDA #16.609</i>			<u>0</u>	<u>31,100</u>
<i>Total Passed Through Programs</i>			<u>0</u>	<u>163,797</u>
<b>Total U.S. Department of Justice</b>			<u>0</u>	<u>271,255</u>
<b><u>U.S. Department of Treasury</u></b>				
<i>Passed Through the Supreme Court of Ohio</i>				
Coronavirus Relief Fund - Remote Technology Grant	21.019	20-RTG-0100	0	9,599
<i>Passed Through the Ohio Office of Budget and Management</i>				
Coronavirus Relief Fund - Local Government Assistance Program	21.019	HB481-CRF-Local	0	6,761,398
<i>Total CFDA #21.019</i>			<u>0</u>	<u>6,770,997</u>
<b>Total U.S. Department of Treasury</b>			<u>0</u>	<u>6,770,997</u>

(Continued)

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Pass-Through to Subrecipient	Total Federal Expenditures
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	PID No. 110315	0	160,956
Total Highway Planning and Construction Cluster			0	160,956
<i>Total Passed Through Ohio Department of Transportation</i>			0	160,956
 <i>Passed Through Ohio Department of Public Safety</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	GG-2021	0	20,812
State and Community Highway Safety	20.600	STEP-2020	0	6,638
State and Community Highway Safety	20.600	STEP-2021	0	1,672
Total Highway Safety Cluster			0	29,122
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	1DEP-2020	0	8,056
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	1DEP-2021	0	951
<i>Total CFDA #20.608</i>			0	9,007
<i>Total Passed Through Ohio Department of Public Safety</i>			0	38,129
<b>Total U.S. Department of Transportation</b>			0	199,085
 <b><u>U.S. Environmental Protection Agency</u></b>				
<i>Direct Program</i>				
Great Lakes Program	66.469	GL-00E01523-0	0	4,601,758
<b>Total U.S. Environmental Protection Agency</b>			0	4,601,758
 <b><u>U.S. Department of Homeland Security</u></b>				
<i>Direct Program</i>				
Assistance to Firefighters Grant	97.044	EMW-2018-FO-03280	0	189,745
<b>Total U.S. Department of Homeland Security</b>			0	189,745
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 40,955</b>	<b>\$ 15,549,807</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Lorain, Ohio, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lorain, Ohio, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lorain, Ohio.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

The City of Lorain, Ohio, has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: SUBRECIPIENTS**

The City passes through certain federal assistance received from the U.S. Department of Housing and Urban Development (HUD) to other governments or not-for-profit agencies (subrecipients). As described above in Note 2, the City records expenditures of federal monies to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under the Uniform Guidance, the City is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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**NOTE 5: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a Revolving Loan Fund (RLF) Program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The U.S. Department of Housing and Urban Development (HUD) grants money for these loans to the City. The Schedule reports loans made and administration costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD, but are not included as disbursements on this Schedule.

These loans are collateralized by mortgages on the properties.

Activity in the CDBG and EDA Revolving Loan Fund during 2020 is as follows:

Beginning loans receivable balance as of January 1, 2020	\$ 6,287,870
Loans made	221,330
Loan principal repaid	(187,467)
Reclassification of loan to program income	(4,680,820)
Ending loans receivable balance at December 31, 2020	<u>\$ 1,640,913</u>
Cash balances on hand in the revolving loan fund as of December 31, 2020	\$ 1,452,592
Administrative costs expended during 2020	0

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2020, the City estimates \$47,903 to be uncollectible.

In 2020, HUD reclassified \$4,680,820 from revolving loans to program income, based on HUD monitoring of the Revolving Loan Fund Program.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council  
City of Lorain  
Lorain, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2021, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations and GASB Statement No. 84, Fiduciary Activities. Also, we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 29, 2021

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of City Council  
City of Lorain  
Lorain, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

***Report on Compliance for Each Major Federal Program***

We have audited the City of Lorain, Lorain County, Ohio's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Lorain complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

### ***Report on Internal Control over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 29, 2021



**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2020(i)	Type of Financial Statement Opinion	Unmodified
2020(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2020(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2020(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2020(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2020(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2020(v)	Type of Major Programs' Compliance Opinions	Unmodified
2020(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2020(vii)	Major Programs (list):  Coronavirus Relief Fund - CFDA #21.019	
2020(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2020(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**CITY OF LORAIN  
LORAIN COUNTY, OHIO  
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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The prior issued audit report, as of December 31, 2019, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF LORAIN**

**LORAIN COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/2/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)