

CITY OF EASTLAKE

LAKE COUNTY, OHIO

SINGLE AUDIT

For the Year Ended December 31, 2022



OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Eastlake, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. 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 Eastlake 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

September 28, 2023

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CITY OF EASTLAKE
LAKE COUNTY
SINGLE AUDIT
December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of the City Council:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire and EMS Levy and the American Rescue Plan Act funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the City. As described in Note 3 to the financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. We did not modify our opinion regarding these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards (Schedule) 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* are presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information 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. The 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 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 July 20, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.



Charles E. Harris & Associates, Inc.
July 20, 2023

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City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2022 are as follows:

- In 2022, the City's governmental fund balance increased by \$2,572,812 as revenues outpaced expenditures. The general fund increased by \$2,296,543 largely due to an increase in property tax and municipal income tax collections.
- The City continues to focus on the maintenance and repair of streets. During 2022, the City completed significant work to Stevens Boulevard and Stevens Pavement as well as continued improvements to Captains Stadium and splash park.
- In 2022, the City completed work on a \$3.5 million project for storm sewer and pump station improvements to the Galalina Area Pump Station as well as continued improvements to a \$6 million Waverly Road sewer repair project.
- In 2022, the City implemented GASB Statement No. 87, Leases. As a result of the implementation, the City is now recording a receivable from the expected revenue to be received from leasing building space and stadium.

Using This Annual Financial Report

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

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

The City of Eastlake as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2022?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

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

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

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

Reporting the City's Most Significant Funds

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

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

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

The City of Eastlake maintains 42 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, fire and ems levy and the American rescue plan act special revenue funds and the captain stadium improvement capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Eastlake adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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 much like that used for proprietary funds. The City's fiduciary fund is a custodial fund.

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

The City as a Whole

As noted earlier, the statement of net position looks at the City as a whole. The following table provides a summary of the City's net position for 2022 compared to 2021.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022*	2021*
Assets						
Current and Other Assets	\$28,902,892	\$24,857,574	\$3,943,448	\$5,278,603	\$32,846,340	\$30,136,177
Net OPEB Asset	518,759	291,343	39,047	18,598	557,806	309,941
Capital Assets, Net	41,225,548	38,243,718	15,211,188	14,641,569	56,436,736	52,885,287
Total Assets	70,647,199	63,392,635	19,193,683	19,938,770	89,840,882	83,331,405
Deferred Outflows of Resources						
Deferred Charge on Refunding	335,156	402,188	0	0	335,156	402,188
Asset Retirement Obligation	13,679	14,059	1,285,500	514,000	1,299,179	528,059
Pension	4,885,020	2,682,415	76,890	41,068	4,957,102	2,709,203
OPEB	1,234,317	1,479,368	3,413	20,109	1,234,566	1,489,507
<i>Total Deferred Outflows of Resources</i>	<i>6,468,172</i>	<i>4,578,030</i>	<i>1,365,803</i>	<i>575,177</i>	<i>7,826,003</i>	<i>5,128,957</i>
Liabilities						
Current Liabilities	3,898,252	2,422,712	118,594	903,081	4,016,846	3,325,793
Long-Term Liabilities						
Due Within One Year	1,557,575	1,559,469	27,530	22,563	1,585,105	1,582,032
Due in More Than One Year	6,423,843	7,733,741	11,386,655	10,715,798	17,810,498	18,449,539
Net Pension Liability	13,014,986	14,606,471	116,542	165,964	13,131,528	14,772,435
Net OPEB Liability	2,011,775	1,866,032	0	0	2,011,775	1,866,032
Total Liabilities	26,906,431	28,188,425	11,649,321	11,807,406	38,555,752	39,995,831
Deferred Inflows of Resources						
Property Tax	5,005,477	4,906,120	0	0	5,005,477	4,906,120
Lease	431,173	771,759	0	0	431,173	771,759
Pension	5,521,695	2,292,250	145,989	85,911	5,662,876	2,363,881
OPEB	1,282,840	1,653,479	43,508	66,791	1,323,184	1,710,300
<i>Total Deferred Inflows of Resources</i>	<i>\$12,241,185</i>	<i>\$9,623,608</i>	<i>\$189,497</i>	<i>\$152,702</i>	<i>\$12,422,710</i>	<i>\$9,752,060</i>

(continued)

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Table 1
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022*	2021*
Net Position						
Net Investment in Capital Assets	\$34,083,440	\$30,688,157	\$7,207,994	\$5,645,242	\$41,291,434	\$36,333,399
Restricted for:						
Capital Projects	2,868,647	1,558,426	0	0	2,868,647	1,558,426
Debt Service	237,000	302,316	0	0	237,000	302,316
OPEB Plans	25,633	0	0	0	25,633	0
Other Purposes	3,643,132	4,175,975	0	0	3,643,132	4,175,975
Unrestricted (Deficit)	(2,890,097)	(6,566,242)	1,512,674	2,908,597	(1,377,423)	(3,657,645)
<i>Total Net Position</i>	<u>\$37,967,755</u>	<u>\$30,158,632</u>	<u>\$8,720,668</u>	<u>\$8,553,839</u>	<u>\$46,688,423</u>	<u>\$38,712,471</u>

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

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total net position for governmental activities showed an increase from 2021. This was largely due to an increase in cash because of an increase in property tax and income tax collections. In addition, capital assets increased as the City completed major road improvements to Stevens Boulevard. Total net position for business-type activities saw an increase as charges for services and capital grants and contributions outpaced expenses.

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

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
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Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$2,316,878	\$1,977,212	\$2,329,417	\$2,451,842	\$4,646,295	\$4,429,054
Operating Grants and Contributions	1,881,493	1,797,900	0	0	1,881,493	1,797,900
Capital Grants and Interest	2,001,547	334,538	591,252	210,249	2,592,799	544,787
Total Program Revenues	6,199,918	4,109,650	2,920,669	2,662,091	9,120,587	6,771,741
General Revenues						
Property Taxes	\$5,034,806	\$4,961,349	\$0	\$0	\$5,034,806	\$4,961,349
Municipal Income Taxes	10,845,670	8,269,913	0	0	10,845,670	8,269,913
Hotel Taxes	76,009	62,443	0	0	76,009	62,443
Permissive MVL Taxes	131,254	167,493	0	0	131,254	167,493
Grants and Entitlements	1,624,520	1,668,815	0	0	1,624,520	1,668,815
Franchise Taxes	200,856	297,956	0	0	200,856	297,956
Investment Earnings/Interest	250,670	10,883	0	0	250,670	10,883
Other	135,012	180,830	0	0	135,012	180,830
Total General Revenues	18,298,797	15,619,682	0	0	18,298,797	15,619,682
Total Revenues	24,498,715	19,729,332	2,920,669	2,662,091	27,419,384	22,391,423
Program Expenses						
General Government	4,568,444	4,028,581	0	0	4,568,444	4,028,581
Security of Persons and Property	7,950,200	8,141,962	0	0	7,950,200	8,141,962
Public Health Services	220,584	223,292	0	0	220,584	223,292
Transportation	1,691,141	1,730,805	0	0	1,691,141	1,730,805
Community Environment	432,617	143,405	0	0	432,617	143,405
Basic Utility Services	608,776	484,316	0	0	608,776	484,316
Leisure Time Activities	1,030,060	1,159,766	0	0	1,030,060	1,159,766
Interest	188,711	217,299	0	0	188,711	217,299
Sanitary Sewer	0	0	2,351,310	2,531,986	2,351,310	2,531,986
Storm Water	0	0	401,589	483,521	401,589	483,521
Total Expenses	16,690,533	16,129,426	2,752,899	3,015,507	19,443,432	19,144,933
Increase (Decrease) in Net Position						
Before Transfers	7,808,182	3,599,906	167,770	(353,416)	7,975,952	3,246,490
Transfers	941	1,882	(941)	(1,882)	0	0
Change in Net Position	7,809,123	3,601,788	166,829	(355,298)	7,975,952	3,246,490
Net Position Beginning of Year	30,158,632	26,556,844	8,553,839	8,909,137	38,712,471	35,465,981
Net Position End of Year	\$37,967,755	\$30,158,632	\$8,720,668	\$8,553,839	\$46,688,423	\$38,712,471

Governmental Activities

Several revenue sources fund governmental activities with City municipal income tax being the largest contributor. The City has a current municipal income tax rate of 2 percent and grants a 2 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of general revenue for governmental activities. The City collects 3 mills of inside millage and has approved 9.8

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mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, a .5 mill fire levy and a 4.5 mill fire levy. The 1.8 mill operating levy was renewed by the voters on November 2, 2021. The .5 mill fire levy was renewed by the voters in the November 5, 2019 election and an additional 4.5 mill fire levy was passed by the voters on May 2, 2017. On November 3, 2020, voters renewed the 3 mill road levy for an additional 5 years with collections starting in 2021. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services. During 2022, property tax revenue collections increased slightly due to additional collections on delinquencies. Municipal income taxes saw an increase from 2021 largely due to the coronavirus pandemic and the effect it has had on the local economy.

Program expenses increased from 2021 levels largely due to an increase in pension and OPEB expense from the prior year. Pension and OPEB expense increased \$851,688 from a negative \$1,489,967 in 2021 to a negative \$638,279 in 2022. In addition, City employees received a 3 percent wage as part of contractual agreements. The most substantial increases were in general government, community environment and basic utility services expenses, which were offset by decreases in security of persons and property, transportation, public health services and leisure time activities expenses.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2022		2021	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$4,568,444	(\$3,840,111)	\$4,028,581	(\$3,412,303)
Security of Persons and Property	7,950,200	(6,493,377)	8,141,962	(6,972,956)
Public Health Services	220,584	(188,355)	223,292	(193,325)
Transportation	1,691,141	(265,921)	1,730,805	(89,843)
Community Environment	432,617	(323,406)	143,405	(83,074)
Basic Utility Services	608,776	(608,774)	484,316	(484,308)
Leisure Time Activities	1,030,060	1,418,040	1,159,766	(566,668)
Interest and Fiscal Charges	188,711	(188,711)	217,299	(217,299)
Total	\$16,690,533	(\$10,490,615)	\$16,129,426	(\$12,019,776)

Business-Type Activities

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Revenues saw an increase for 2022 due to an increase in capital grants the City applied for and received. The expenses decreased due to a decrease in maintenance projects the City is currently working on.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Governmental Funds Financial Analysis

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of the City's net resources. Governmental fund information can be found beginning on page 16 and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, fire and EMS levy and American rescue plan act special revenue funds and the captain stadium improvement capital projects fund. The general fund revenues exceeded expenditures for the year after transfers out are included. Municipal income taxes saw an increase in collections from 2021 as a sign of the improving economy as the City and the area continue to rebound from the pandemic. Expenditures increased due to a 3 percent wage increase as well as roof repairs and new playground equipment purchased. Management continues to monitor it's spending to stay in line with the budget. The fire and ems levy special revenue fund balance increased due to revenues outpacing expenditures for the year. The American rescue plan act fund balance remained the same. The captain stadium improvement capital projects fund saw an increase in fund balance as intergovernmental revenues outpaced capital outlays.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2022, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for additional funds to cover grant reimbursed expenditures and emergency construction work. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. There was a decrease in revenues from the final budget due to a decreased amount of municipal income taxes and other revenue received from what was expected. There was a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to continue its financial recovery.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2022 balances of capital assets as compared to 2021.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$7,952,005	\$7,952,005	\$75,556	\$75,556	\$8,027,561	\$8,027,561
Construction in Progress	3,134,036	2,817,633	299,531	3,127,275	3,433,567	5,944,908
Land Improvements	10,486,076	10,850,607	0	0	10,486,076	10,850,607
Buildings and Improvements	4,413,798	4,053,328	11,809,917	8,577,842	16,223,715	12,631,170
Machinery and Equipment	2,163,884	2,210,511	550,920	610,073	2,714,804	2,820,584
Vehicles	3,288,029	3,101,373	96,849	111,610	3,384,878	3,212,983
Intangible Right to Use -						
Copier Lease	25,617	33,499	0	0	25,617	33,499
Infrastructure	9,762,103	7,258,261	2,378,415	2,139,213	12,140,518	9,397,474
Total Capital Assets	\$41,225,548	\$38,277,217	\$15,211,188	\$14,641,569	\$56,436,736	\$52,918,786

For 2022, the primary additions for governmental activities included construction in progress that includes Stevens Pavement, Captains stadium and roof, pickleball courts, Erie Road park and splash park. Various building improvements throughout the City were done due to the age of the buildings and the parking lots. The City also invested in recreational improvements including Borac's landing, various pavilions and playground equipment throughout the city. The City also purchased several vehicles for the police department as well as several service department vehicles. These additions were offset by another year of depreciation. In 2022, the City implemented GASB Statement No. 87. As a result, the City is recording an intangible right to use for copiers the City leases.

The City is engaged in large storm water projects at Admiral Drive as well as improvements to the Galalina area pump station, Galalina shoreline and Waverly Road sewer repairs which constitutes additions to construction in progress for business-type activities. Additional information concerning the City's capital assets can be found in Note 10 to the basic financial statements.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Debt

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2022.

Table 5
 Outstanding Long-Term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$5,575,000	\$6,670,000	\$0	\$0	\$5,575,000	\$6,670,000
OPWC Loans	330,519	346,133	127,932	104,318	458,451	450,451
OWDA Loans	0	0	7,788,106	8,032,356	7,788,106	8,032,356
Financed Purchases	615,204	775,146	0	0	615,204	775,146
Lease Payables	25,690	33,499	0	0	25,690	33,499
Compensated Absences	1,348,506	1,415,432	28,147	31,687	1,376,653	1,447,119
Asset Retirement Obligation	86,499	86,499	3,470,000	2,570,000	3,556,499	2,656,499
Net Pension Liability	13,014,986	14,606,471	116,542	165,964	13,131,528	14,772,435
Net OPEB Liability	2,011,775	1,866,032	0	0	2,011,775	1,866,032
Total	\$23,008,179	\$25,799,212	\$11,530,727	\$10,904,325	\$34,538,906	\$36,703,537

At December 31, 2022, the general obligation bonds outstanding consist of the 2020 general obligation refunding bonds. The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital project revenues as well as storm and sewer improvement capital contributions.

In addition to the debt discussed above, the City's long-term obligations also include OWDA loans, financed purchases, leases, compensated absences, asset retirement obligation liability, pension and OPEB. Additional information concerning debt issuances can be found in Note 16 to the basic financial statements.

Current Related Financial Activities

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

Contacting the City of Eastlake's Financial Management

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

Basic Financial Statements

City of Eastlake, Ohio
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$16,868,899	\$3,269,530	\$20,138,429
Accounts Receivable	363,899	492,232	856,131
Internal Balances	178,716	(178,716)	0
Intergovernmental Receivable	2,542,148	341,051	2,883,199
Municipal Income Taxes Receivable	3,051,861	0	3,051,861
Hotel Taxes Receivable	16,560	0	16,560
Permissive Motor Vehicle Taxes Receivable	64,574	0	64,574
Leases Receivable	431,173	0	431,173
Prepaid Items	118,831	0	118,831
Materials and Supplies Inventory	178,644	1,124	179,768
Property Taxes Receivable	5,087,587	0	5,087,587
Special Assessments Receivable	0	18,227	18,227
Net OPEB Asset (See Note 14)	518,759	39,047	557,806
Nondepreciable Capital Assets	11,086,041	375,087	11,461,128
Depreciable Capital Assets, Net	30,139,507	14,836,101	44,975,608
<i>Total Assets</i>	<u>70,647,199</u>	<u>19,193,683</u>	<u>89,840,882</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	335,156	0	335,156
Asset Retirement Obligation	13,679	1,285,500	1,299,179
Pension	4,885,020	76,890	4,957,102
OPEB	1,234,317	3,413	1,234,566
<i>Total Deferred Outflows of Resources</i>	<u>6,468,172</u>	<u>1,365,803</u>	<u>7,826,003</u>
Liabilities			
Accounts Payable	175,499	14,838	190,337
Contracts Payable	865,959	87,156	953,115
Accrued Wages	285,036	9,134	294,170
Retainage Payable	94,274	0	94,274
Matured Compensated Absences Payable	90,730	0	90,730
Intergovernmental Payable	267,879	7,466	275,345
Deposits Held Payable	217,974	0	217,974
Accrued Interest Payable	17,835	0	17,835
Unearned Revenue	1,883,066	0	1,883,066
Long-Term Liabilities:			
Due Within One Year	1,557,575	27,530	1,585,105
Due In More Than One Year	6,423,843	11,386,655	17,810,498
Net Pension Liability (See Note 13)	13,014,986	116,542	13,131,528
Net OPEB Liability (See Note 14)	2,011,775	0	2,011,775
<i>Total Liabilities</i>	<u>26,906,431</u>	<u>11,649,321</u>	<u>38,555,752</u>
Deferred Inflows of Resources			
Property Taxes	5,005,477	0	5,005,477
Leases	431,173	0	431,173
Pension	5,521,695	145,989	5,662,876
OPEB	1,282,840	43,508	1,323,184
<i>Total Deferred Inflows of Resources</i>	<u>12,241,185</u>	<u>189,497</u>	<u>12,422,710</u>
Net Position			
Net Investment in Capital Assets	34,083,440	7,207,994	41,291,434
Restricted for:			
Capital Projects	2,868,647	0	2,868,647
Debt Service	237,000	0	237,000
OPEB Plans	25,633	0	25,633
Other Purposes	3,643,132	0	3,643,132
Unrestricted (Deficit)	(2,890,097)	1,512,674	(1,377,423)
<i>Total Net Position</i>	<u>\$37,967,755</u>	<u>\$8,720,668</u>	<u>\$46,688,423</u>

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

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Activities
For the Year Ended December 31, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$4,568,444	\$686,924	\$41,409	\$0
Security of Persons and Property	7,950,200	766,206	675,911	14,706
Public Health Services	220,584	32,229	0	0
Transportation	1,691,141	76,129	1,151,725	197,366
Community Environment	432,617	96,763	12,448	0
Basic Utility Services	608,776	2	0	0
Leisure Time Activities	1,030,060	658,625	0	1,789,475
Interest	188,711	0	0	0
<i>Total Governmental Activities</i>	<u>16,690,533</u>	<u>2,316,878</u>	<u>1,881,493</u>	<u>2,001,547</u>
Business-Type Activities:				
Sanitary Sewer	2,351,310	2,329,397	0	445,013
Storm Water	401,589	20	0	146,239
<i>Total Business-Type Activities</i>	<u>2,752,899</u>	<u>2,329,417</u>	<u>0</u>	<u>591,252</u>
<i>Total</i>	<u>\$19,443,432</u>	<u>\$4,646,295</u>	<u>\$1,881,493</u>	<u>\$2,592,799</u>

General Revenues

Property Taxes Levied for:
General Purposes
Debt Service
Police Pension
Fire Pension
Fire and EMS Operations
Roads
Municipal Income Tax Levied for General Purposes
Hotel Taxes
Permissive Motor Vehicle License Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Investment Earnings/Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$3,840,111)	\$0	(\$3,840,111)
(6,493,377)	0	(6,493,377)
(188,355)	0	(188,355)
(265,921)	0	(265,921)
(323,406)	0	(323,406)
(608,774)	0	(608,774)
1,418,040	0	1,418,040
(188,711)	0	(188,711)
(10,490,615)	0	(10,490,615)
0	423,100	423,100
0	(255,330)	(255,330)
0	167,770	167,770
(10,490,615)	167,770	(10,322,845)
1,449,401	0	1,449,401
202,754	0	202,754
144,823	0	144,823
144,823	0	144,823
2,186,104	0	2,186,104
906,901	0	906,901
10,845,670	0	10,845,670
76,009	0	76,009
131,254	0	131,254
1,624,520	0	1,624,520
200,856	0	200,856
250,670	0	250,670
135,012	0	135,012
18,298,797	0	18,298,797
941	(941)	0
18,299,738	(941)	18,298,797
7,809,123	166,829	7,975,952
30,158,632	8,553,839	38,712,471
\$37,967,755	\$8,720,668	\$46,688,423

City of Eastlake, Ohio

Balance Sheet

Governmental Funds

December 31, 2022

	General	Fire and EMS Levy	American Rescue Plan Act	Captain Stadium Improvement	Other Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$8,056,997	\$1,456,543	\$1,883,066	\$1,124,321	\$4,082,152
Accounts Receivable	359,049	0	0	0	4,850
Intergovernmental Receivable	825,739	21,186	0	969,622	725,601
Municipal Income Taxes Receivable	3,051,861	0	0	0	0
Hotel Taxes Receivable	0	0	0	0	16,560
Permissive Motor Vehicle					
Taxes Receivable	0	0	0	0	64,574
Leases Receivable	140,003	0	0	0	291,170
Interfund Receivable	1,775,000	0	0	0	0
Prepaid Items	116,786	0	0	0	2,045
Materials and Supplies Inventory	5,017	0	0	0	173,627
Property Taxes Receivable	1,442,862	2,044,020	0	0	1,600,705
Restricted Assets:					
Equity in Pooled Cash and					
Cash Equivalents in Segregated Accounts	265,820	0	0	0	0
<i>Total Assets</i>	<u>\$16,039,134</u>	<u>\$3,521,749</u>	<u>\$1,883,066</u>	<u>\$2,093,943</u>	<u>\$6,961,284</u>
Liabilities					
Accounts Payable	\$159,168	\$0	\$0	\$3,770	\$12,561
Contracts Payable	4,907	0	0	592,909	268,143
Interfund Payable	0	0	0	1,421,284	175,000
Accrued Wages	169,452	82,168	0	0	33,416
Retainage Payable	1,138	0	0	73,010	20,126
Matured Compensated Absences Payable	90,730	0	0	0	0
Intergovernmental Payable	231,104	0	0	0	36,775
Unearned Revenue	0	0	1,883,066	0	0
Deposits Held Payable	217,974	0	0	0	0
<i>Total Liabilities</i>	<u>874,473</u>	<u>82,168</u>	<u>1,883,066</u>	<u>2,090,973</u>	<u>546,021</u>
Deferred Inflows of Resources					
Property Taxes	1,419,631	2,008,849	0	0	1,576,997
Leases	140,003	0	0	0	291,170
Unavailable Revenue	2,044,096	56,357	0	0	581,080
<i>Total Deferred Inflows of Resources</i>	<u>3,603,730</u>	<u>2,065,206</u>	<u>0</u>	<u>0</u>	<u>2,449,247</u>
Fund Balances					
Nonspendable	147,493	0	0	0	175,672
Restricted	0	1,374,375	0	2,970	3,700,596
Committed	0	0	0	0	115,943
Assigned	3,336,985	0	0	0	0
Unassigned	8,076,453	0	0	0	(26,195)
<i>Total Fund Balances</i>	<u>11,560,931</u>	<u>1,374,375</u>	<u>0</u>	<u>2,970</u>	<u>3,966,016</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$16,039,134</u>	<u>\$3,521,749</u>	<u>\$1,883,066</u>	<u>\$2,093,943</u>	<u>\$6,961,284</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2022*

Total Governmental Funds	Total Governmental Funds Balances	\$16,904,292
	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$16,603,079 363,899 2,542,148 3,051,861 16,560 64,574 431,173 1,775,000 118,831 178,644 5,087,587	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	41,225,548
	Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds:	
	Delinquent Property Taxes 82,110 Intergovernmental 1,094,238 Municipal Income Taxes 1,204,685 Charges for Services 246,215 Permissive Motor Vehicle Taxes 54,285	2,681,533
265,820	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(17,835)
\$30,499,176	Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	335,156
	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
\$175,499 865,959 1,596,284 285,036 94,274 90,730 267,879 1,883,066 217,974	General Obligation Bonds (5,575,000) OPWC Loans Payable (330,519) Financed Purchases (615,204) Leases Payable (25,690) Compensated Absences Payable (1,348,506) Deferred Outflows - Asset Retirement 13,679 Asset Retirement Obligation (86,499)	(7,967,739)
5,476,701	The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
5,005,477 431,173 2,681,533	Net OPEB Asset 518,759 Deferred Outflows - Pension 4,885,020 Deferred Outflows - OPEB 1,234,317 Net Pension Liability (13,014,986) Net OPEB Liability (2,011,775) Deferred Inflows - Pension (5,521,695) Deferred Inflows - OPEB (1,282,840)	(15,193,200)
8,118,183	Total	(15,193,200)
323,165 5,077,941 115,943 3,336,985 8,050,258	<i>Net Position of Governmental Activities</i>	\$37,967,755
16,904,292	See accompanying notes to the basic financial statements	
\$30,499,176		

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Fire and EMS Levy	Captain Stadium Improvement	Other Governmental Funds
Revenues				
Property Taxes	\$1,587,934	\$2,217,868	\$0	\$1,751,324
Municipal Income Taxes	10,160,661	0	0	0
Hotel Taxes	0	0	0	76,009
Permissive Motor Vehicle Taxes	0	0	0	125,746
Intergovernmental	1,585,063	42,371	1,789,475	1,973,795
Charges for Services	797,260	0	0	142,844
Fees, Licenses and Permits	718,533	0	0	113,330
Franchise Taxes	200,856	0	0	0
Fines, Forfeitures and Settlements	171,138	0	0	17,613
Investment Earnings/Interest	239,703	0	0	10,967
Leases	53,300	0	0	291,908
Contributions and Donations	0	0	0	61,660
Other	134,892	0	0	120
<i>Total Revenues</i>	<u>15,649,340</u>	<u>2,260,239</u>	<u>1,789,475</u>	<u>4,565,316</u>
Expenditures				
Current:				
General Government	4,697,338	0	0	20,423
Security of Persons and Property	5,239,289	2,113,772	0	426,310
Public Health Services	220,584	0	0	0
Transportation	502,545	0	0	2,332,992
Community Environment	510,924	0	0	5,033
Basic Utility Services	13	0	0	0
Leisure Time Activities	884,250	0	0	147,445
Capital Outlay	0	0	1,786,505	1,401,182
Debt Service:				
Principal Retirement	17,684	0	0	1,260,681
Interest	170	0	0	125,359
<i>Total Expenditures</i>	<u>12,072,797</u>	<u>2,113,772</u>	<u>1,786,505</u>	<u>5,719,425</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,576,543</u>	<u>146,467</u>	<u>2,970</u>	<u>(1,154,109)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	1,530,941
Transfers Out	<u>(1,280,000)</u>	<u>0</u>	<u>0</u>	<u>(250,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,280,000)</u>	<u>0</u>	<u>0</u>	<u>1,280,941</u>
<i>Net Change in Fund Balances</i>	2,296,543	146,467	2,970	126,832
<i>Fund Balances Beginning of Year</i>	<u>9,264,388</u>	<u>1,227,908</u>	<u>0</u>	<u>3,839,184</u>
<i>Fund Balances End of Year</i>	<u>\$11,560,931</u>	<u>\$1,374,375</u>	<u>\$2,970</u>	<u>\$3,966,016</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$2,572,812
\$5,557,126	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
10,160,661	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:	
76,009	Capital Asset Additions	5,063,966
125,746	Depreciation	(1,929,502)
5,390,704	Total	3,134,464
940,104	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal.	(186,133)
831,863	Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds:	
200,856	Delinquent Property Taxes	(522,320)
188,751	Municipal Income Taxes	685,009
250,670	Intergovernmental	55,196
345,208	Charges for Services	10,952
61,660	Permissive Motor Vehicle Taxes	5,508
135,012	Total	234,345
24,264,370	Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,278,365
4,717,761	Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position:	
7,779,371	Accrued Interest	3,850
220,584	Amortization of Accounting Loss	(67,032)
2,835,537	Total	(63,182)
515,957	Amortization of deferred outflows related to the asset retirement obligation is reported as an expense in the statement of activities.	(380)
13	Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	66,926
1,031,695	Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows:	
3,187,687	Pension	1,386,805
1,278,365	OPEB	23,380
125,529	Total	1,410,185
21,692,499	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities:	
2,571,871	Pension	(822,160)
1,530,941	OPEB	183,881
(1,530,000)	Total	(638,279)
941	<i>Change in Net Position of Governmental Activities</i>	<u>\$7,809,123</u>
2,572,812		
14,331,480		
\$16,904,292		

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$1,587,927	\$1,587,927	\$1,587,934	\$7
Municipal Income Taxes	8,331,065	10,080,182	9,924,604	(155,578)
Intergovernmental	1,286,892	1,557,076	1,576,037	18,961
Charges for Services	663,017	802,218	866,172	63,954
Fees, Licenses and Permits	529,675	643,133	704,663	61,530
Franchise Taxes	204,967	248,000	250,236	2,236
Fines and Forfeitures	109,591	132,600	135,471	2,871
Investment Earnings/Interest	178,863	216,416	236,708	20,292
Other	149,414	180,783	134,592	(46,191)
<i>Total Revenues</i>	<u>13,041,411</u>	<u>15,448,335</u>	<u>15,416,417</u>	<u>(31,918)</u>
Expenditures				
Current:				
General Government	6,210,839	6,054,599	5,219,497	835,102
Security of Persons and Property	5,707,930	6,282,002	5,437,100	844,902
Public Health Services	225,000	225,000	220,584	4,416
Transportation	730,087	770,519	669,462	101,057
Community Environment	592,984	743,759	533,706	210,053
Basic Utility Services	1,500	1,500	13	1,487
Leisure Time Activities	1,008,011	1,075,267	944,372	130,895
<i>Total Expenditures</i>	<u>14,476,351</u>	<u>15,152,646</u>	<u>13,024,734</u>	<u>2,127,912</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,434,940)</u>	<u>295,689</u>	<u>2,391,683</u>	<u>2,095,994</u>
Other Financing Sources (Uses)				
Advances Out	0	(1,775,000)	(1,775,000)	0
Transfers Out	(780,000)	(1,280,000)	(1,280,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(780,000)</u>	<u>(3,055,000)</u>	<u>(3,055,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,214,940)</u>	<u>(2,759,311)</u>	<u>(663,317)</u>	<u>2,095,994</u>
<i>Fund Balance Beginning of Year</i>	7,359,792	7,359,792	7,359,792	0
Prior Year Encumbrances Appropriated	647,998	647,998	647,998	0
<i>Fund Balance End of Year</i>	<u><u>\$5,792,850</u></u>	<u><u>\$5,248,479</u></u>	<u><u>\$7,344,473</u></u>	<u><u>\$2,095,994</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Fire and EMS Levy Fund
 For the Year Ended December 31, 2022*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$2,033,479	\$2,217,863	\$2,217,868	\$5
Intergovernmental	38,847	42,370	42,371	1
<i>Total Revenues</i>	2,072,326	2,260,233	2,260,239	6
Expenditures				
Current:				
Security of Persons and Property	2,160,851	2,172,542	2,104,726	67,816
<i>Net Change in Fund Balance</i>	(88,525)	87,691	155,513	67,822
<i>Fund Balance Beginning of Year</i>	1,301,030	1,301,030	1,301,030	0
<i>Fund Balance End of Year</i>	<u>\$1,212,505</u>	<u>\$1,388,721</u>	<u>\$1,456,543</u>	<u>\$67,822</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 American Rescue Plan Act
 For the Year Ended December 31, 2022*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$944,959	\$952,504	\$952,504	0
Expenditures				
Current:				
Community Environment	<u>1,875,521</u>	<u>1,883,066</u>	<u>0</u>	<u>1,883,066</u>
<i>Net Change in Fund Balance</i>	(930,562)	(930,562)	952,504	1,883,066
<i>Fund Balance Beginning of Year</i>	<u>930,562</u>	<u>930,562</u>	<u>930,562</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,883,066</u></u>	<u><u>\$1,883,066</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2022

	Sanitary Sewer	Storm Water	Total
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,246,772	\$22,758	\$3,269,530
Accounts Receivable	492,232	0	492,232
Intergovernmental Receivable	71,501	269,550	341,051
Materials and Supplies Inventory	1,124	0	1,124
<i>Total Current Assets</i>	<u>3,811,629</u>	<u>292,308</u>	<u>4,103,937</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	18,227	0	18,227
Restricted Assets:			
Net OPEB Asset	39,047	0	39,047
Nondepreciable Capital Assets	375,087	0	375,087
Depreciable Capital Assets, Net	14,836,101	0	14,836,101
<i>Total Noncurrent Assets</i>	<u>15,268,462</u>	<u>0</u>	<u>15,268,462</u>
<i>Total Assets</i>	<u>19,080,091</u>	<u>292,308</u>	<u>19,372,399</u>
Deferred Outflows of Resources			
Asset Retirement Obligation	1,285,500	0	1,285,500
Pension	76,890	0	76,890
OPEB	3,413	0	3,413
<i>Total Deferred Outflows of Resources</i>	<u>1,365,803</u>	<u>0</u>	<u>1,365,803</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	13,891	947	14,838
Contracts Payable	28,059	59,097	87,156
Accrued Wages	9,134	0	9,134
Intergovernmental Payable	7,466	0	7,466
Interfund Payable	78,716	100,000	178,716
Compensated Absences Payable	14,253	0	14,253
OPWC Loan Payable	11,261	2,016	13,277
<i>Total Current Liabilities</i>	<u>162,780</u>	<u>162,060</u>	<u>324,840</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	13,894	0	13,894
Asset Retirement Obligation Payable	3,470,000	0	3,470,000
OPWC Loan Payable	76,364	38,291	114,655
OWDA Loan Payable	4,507,344	3,280,762	7,788,106
Net Pension Liability	116,542	0	116,542
<i>Total Long-Term Liabilities</i>	<u>8,184,144</u>	<u>3,319,053</u>	<u>11,503,197</u>
<i>Total Liabilities</i>	<u>8,346,924</u>	<u>3,481,113</u>	<u>11,828,037</u>
Deferred Inflows of Resources			
Pension	145,989	0	145,989
OPEB	43,508	0	43,508
<i>Total Inflows Outflows of Resources</i>	<u>189,497</u>	<u>0</u>	<u>189,497</u>
Net Position			
Net Investment in Capital Assets	10,588,160	(3,380,166)	7,207,994
Unrestricted	1,321,313	191,361	1,512,674
<i>Total Net Position (Deficit)</i>	<u>\$11,909,473</u>	<u>(\$3,188,805)</u>	<u>\$8,720,668</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2022*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	\$2,305,947	\$20	\$2,305,967
Tap-In Fees	23,450	0	23,450
<i>Total Operating Revenues</i>	<u>2,329,397</u>	<u>20</u>	<u>2,329,417</u>
Operating Expenses			
Personal Services	214,784	14,906	229,690
Contractual Services	1,605,391	346,191	1,951,582
Materials and Supplies	49,111	0	49,111
Depreciation	389,108	0	389,108
<i>Total Operating Expenses</i>	<u>2,258,394</u>	<u>361,097</u>	<u>2,619,491</u>
<i>Operating Income (Loss)</i>	71,003	(361,077)	(290,074)
Non-Operating Revenues (Expenses)			
Interest	(92,916)	(40,492)	(133,408)
<i>Income Before Capital Contributions and Transfers</i>	(21,913)	(401,569)	(423,482)
Capital Contributions	146,239	445,013	591,252
Transfers Out	(941)	0	(941)
<i>Change in Net Position</i>	123,385	43,444	166,829
<i>Net Position (Deficit) Beginning of Year</i>	<u>11,786,088</u>	<u>(3,232,249)</u>	<u>8,553,839</u>
<i>Net Position (Deficit) End of Year</i>	<u>\$11,909,473</u>	<u>(\$3,188,805)</u>	<u>\$8,720,668</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2022

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,379,917	\$20	\$2,379,937
Cash Payments to Suppliers for Goods and Services	(1,612,633)	(1,047,615)	(2,660,248)
Cash Payments for Employee Services and Benefits	(266,125)	(14,906)	(281,031)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>501,159</u>	<u>(1,062,501)</u>	<u>(561,342)</u>
Cash Flows from Capital and Related Financing Activities			
Capital Contributions	74,738	922,589	997,327
Acquisition of Capital Assets	(958,727)	0	(958,727)
OPWC Loans Issued	18,732	8,639	27,371
OWDA Loans Issued	0	151,256	151,256
Principal Paid on OPWC Loans	(3,757)	0	(3,757)
Principal Paid on OWDA Loans	(228,916)	(166,590)	(395,506)
Interest Paid on OWDA Loans	(92,916)	(40,492)	(133,408)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,190,846)</u>	<u>875,402</u>	<u>(315,444)</u>
Cash Flows from Noncapital Financing Activities			
Advance In	78,716	100,000	178,716
Transfer Out	(941)	0	(941)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(611,912)</u>	<u>(87,099)</u>	<u>(699,011)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,858,684</u>	<u>109,857</u>	<u>3,968,541</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$3,246,772</u></u>	<u><u>\$22,758</u></u>	<u><u>\$3,269,530</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$71,003	(\$361,077)	(\$290,074)
Adjustments:			
Depreciation	389,108	0	389,108
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	(38,365)	0	(38,365)
Intergovernmental Receivable	85,847	0	85,847
Special Assessments Receivable	3,038	0	3,038
Materials and Supplies Inventory	833	0	833
Deferred Outflows - ARO	128,500	0	128,500
Deferred Outflows - Pension	68,848	0	68,848
Deferred Outflows - OPEB	27,877	0	27,877
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(12,377)	(396)	(12,773)
Contracts Payable	(73,976)	(581,087)	(655,063)
Retainage Payable	(3,463)	(113,971)	(117,434)
Accrued Wages	2,656	0	2,656
Compensated Absences Payable	(3,540)	0	(3,540)
Intergovernmental Payable	4,097	(5,970)	(1,873)
Net Pension Liability	(6,695)	0	(6,695)
Net OPEB Liability	566	0	566
Deferred Inflows - Pension	(87,319)	0	(87,319)
Deferred Inflows - OPEB	(55,479)	0	(55,479)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$501,159</u></u>	<u><u>(\$1,062,501)</u></u>	<u><u>(\$561,342)</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2022

Additions	
Fines and Forfeitures for Other Governments	\$151,440
Deletions	
Distributions to Other Governments	<u>151,440</u>
<i>Net Change in Fiduciary Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 1 - Reporting Entity

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

Reporting Entity

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

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

The City participates in four jointly governed organizations and a shared risk pool. These organizations are the Northeast Ohio Public Energy Council, Regional Income Tax Agency (RITA), Lake County Communities Energy Special Improvement District, Lake County Communities Shoreline Special Improvement District and the Northern Ohio Risk Management Association (NORMA). The City is also involved with the Eastlake Port Authority, a related organization. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

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

Fund Accounting

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

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

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

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

American Rescue Plan Act Fund The American rescue plan act special revenue fund is used to account for and report restricted monies received from the federal government to assist local governments with the coronavirus pandemic.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Captain Stadium Improvement Fund The captain stadium improvement capital projects fund is used to account for and report restricted monies received from intergovernmental grant revenues for improvements made to the Captain Stadium.

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (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 arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's fiduciary fund is a custodial fund. The City's custodial fund accounts for special assessments collected on behalf of the Energy Special Improvement District fund.

Measurement Focus

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from the custodial fund.

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.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, asset retirement obligation and pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to asset retirement obligations is measured at the amount of the corresponding liability. This amount is deferred and amortized over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance fiscal year 2023 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. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, permissive sales tax and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

Budgetary Data

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

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Cash and Cash Equivalents

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

During 2022, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2022 amounted to \$239,703, which includes \$134,991 assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Restricted Assets

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Interfund Balances

On the fund financial statements, unpaid amounts for interfund services 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.

Capital Assets

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

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

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

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

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

The City is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Leases

The City serves as both lessee and lessor in various noncancellable leases which are accounted for as follows:

Lessee At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, leases and long-term loans are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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. Leases are recognized as a liability on the governmental fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

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

Net Position

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

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

Fund Balance

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

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2023's appropriated budget.

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

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

Operating Revenues and Expenses

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

OneOhio Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of \$6,057 is reflected as fines, forfeitures and settlements revenue in the Opioid Settlement special revenue fund in the accompanying financial statements.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Interfund Activity

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

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

Internal Eliminations

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

Bond Discounts

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

Deferred Charge on Refunding

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

Estimates

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

Note 3 – Change in Accounting Principle

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*. The City also implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus*

City of Eastlake, Ohio
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For the Year Ended December 31, 2022

2020, GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and Implementation Guide No. 2020-1.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City recognized \$771,759 in leases receivable at January 1, 2022; however, this entire amount was offset by the deferred inflows related to leases. The City also recognized \$33,499 in leases payable at January 1, 2022 which was offset by the intangible asset, right to use lease – equipment.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 97, among other items, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.

The changes for GASB 87, GASB 91 and GASB 97 were incorporated in the City's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Unrecorded cash activity represents amounts paid but not reported by the City on the operating statements (budget), but which is reported on the GAAP basis operating statements.
4. Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

City of Eastlake, Ohio
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5. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund, fire and ems levy and American Rescue Plan Act special revenue funds.

	General	Fire and EMS	American Rescue Plan Act
GAAP Basis	\$2,296,543	\$146,467	\$0
Net Adjustment for Revenue Accruals	(232,923)	0	952,504
Net Adjustment for Expenditure Accruals	(1,945,467)	9,046	0
Unrecorded Cash Activity	7,593	0	0
Advances Out	(1,775,000)	0	0
Encumbrances	985,937	0	0
Budget Basis	<u><u>(\$663,317)</u></u>	<u><u>\$155,513</u></u>	<u><u>\$952,504</u></u>

Note 5 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows.

Fund Balances	General	Fire and EMS Levy	Capital Stadium Improvement	Other Governmental Funds	Total
<i>Nonspendable:</i>					
Prepaid Items	\$116,786	\$0	\$0	\$2,045	\$118,831
Materials and Supplies Inventory	5,017	0	0	173,627	178,644
Unclaimed Monies	25,690	0	0	0	25,690
<i>Total Nonspendable</i>	<u>147,493</u>	<u>0</u>	<u>0</u>	<u>175,672</u>	<u>323,165</u>
<i>Restricted for:</i>					
Road Improvements	0	0	0	1,533,597	1,533,597
Public Safety	0	0	0	74,570	74,570
Fire Operations	0	0	0	74,683	74,683
Police and Fire Pension	0	0	0	646,229	646,229
Fire and EMS Levy	0	1,374,375	0	0	1,374,375
Senior Citizens	0	0	0	67,657	67,657
Stadium Maintenance	0	0	2,970	972,340	975,310
Recreation Land Acquisition	0	0	0	91,807	91,807
Debt Service Payments	0	0	0	239,713	239,713
<i>Total Restricted</i>	<u>0</u>	<u>1,374,375</u>	<u>2,970</u>	<u>3,700,596</u>	<u>5,077,941</u>
<i>Committed to</i>					
Donations	\$0	\$0	\$0	\$115,943	\$115,943

(continued)

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Fund Balances (continued)	General	Fire and EMS Levy	Capital Stadium Improvement	Other Governmental Funds	Total
Assigned to:					
Purchases on order:					
General Government	\$442,915	\$0	\$0	\$0	\$442,915
Security of Persons and Property	265,107	0	0	0	265,107
Leisure Time Activities	21,766	0	0	0	21,766
Community Environment	30,248	0	0	0	30,248
Transportation	123,118	0	0	0	123,118
2023 Appropriations	2,453,831	0	0	0	2,453,831
<i>Total Assigned</i>	<u>3,336,985</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,336,985</u>
Unassigned (Deficit)	<u>8,076,453</u>	<u>0</u>	<u>0</u>	<u>(26,195)</u>	<u>8,050,258</u>
<i>Total Fund Balances</i>	<u>\$11,560,931</u>	<u>\$1,374,375</u>	<u>\$2,970</u>	<u>\$3,966,016</u>	<u>\$16,904,292</u>

Stabilization arrangement In addition to the above fund balance, the governing council adopted a resolution to establish and maintain a revenue stabilization reserve (“rainy day fund”) in the general fund that does not meet the criteria to be classified as restricted or committed. The principal resource for this reserve is excess reserves of the general fund. The revenue will be reserved on an annual basis with a maximum of 20 percent of the annual total general fund expenses being set aside in any one year. Once the City reserve reaches the 20 percent of general fund expenditure threshold, all revenues may be appropriated for current year operations. The reserve monies can only be accessed with the governing council authority. The general fund reserve balance was \$1,000,000 as of December 31, 2022.

Note 6 - Deposits and Investments

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

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

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

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

City of Eastlake, Ohio
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Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2022, \$1,765,762 of the City's total bank balance of \$7,376,825 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

At December 31, 2022, the City had \$13,167,036 invested in STAR Ohio with an average maturity of 31.9 days.

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

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 7 - Receivables

Receivables at December 31, 2022, consisted primarily of municipal income taxes, property taxes, permissive motor vehicle taxes and intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments, leases and accounts (billings for utility service).

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

Special assessments expected to be collected in more than one year amount to \$18,227 in the sanitary sewer enterprise fund.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections of the 2021 taxes.

2022 real property taxes are levied after October 1, 2022 on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Lake County allows the payments to be made on February 15 and July 15.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022 was \$12.80 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2022 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate:	
Residential/Agricultural	\$336,607,307
Other Real Estate	94,700,714
Public Utility Personal Property	93,039,959
Total Assessed Values	\$524,347,980

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

measurable as of December 31, 2022, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2022 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. The City allows a credit of two percent for income tax paid to another municipality up to the total amount owed to the City. The Regional Income Tax Agency administers and collects income taxes for the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month net of collection fees of approximately 3 percent. All income tax received is recorded in the general fund.

Leases Receivable

The City is reporting leases receivable of \$140,003 in the general fund and \$291,170 in the stadium capital project fund at December 31, 2022. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the City recognized lease revenue of \$53,300 and interest revenue of \$2,995 in the general fund and recognized lease revenue of \$291,908 and interest revenue of \$1,554 in the stadium capital project fund related to lease payments received. A description of the City’s leasing arrangements is as follows:

The City has entered into various lease agreement for cell towers with Nextel Communications, floor space with Willoughby-Eastlake Public Library, stadium use with ColliDE NE, LLC and floor space with Chagrin River Watershed Partners, Inc. at the years and terms as follows:

Company	Lease Commencement Date	Years	Lease Ending Date	Payment Method
Nextel Communications	2004	30	2034	Monthly
Willoughby-Eastlake Public Library	2020	5	2025	Monthly
ColliDE NE, LLC	2020	5	2025	Annual
Chagrin River Watershed Partners, Inc.	2021	4	2025	Monthly

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

A summary of future lease revenue is as follows:

Year	General Fund		Stadium Fund	
	Principal	Interest	Principal	Interest
2023	\$50,490	\$2,127	\$74,640	\$1,441
2024	52,660	1,206	18,519	1,327
2025	36,853	273	19,923	1,204
2026	0	0	20,050	1,076
2027	0	0	20,179	948
2028-2032	0	0	102,843	2,790
2033-2037	0	0	35,016	195
	<u>\$140,003</u>	<u>\$3,606</u>	<u>\$291,170</u>	<u>\$8,981</u>

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Lake County	\$969,622
Local Government	749,527
Gasoline Tax	495,167
Homestead and Rollback	165,153
Auto Registration	78,633
NOPEC Grant	50,154
OPWC Grant	27,001
City of Willoughby	3,674
VOCA	3,217
Total	<u>\$2,542,148</u>
Business-Type Activities:	
Lake County Auditor Reimbursement	237,039
Galalina Storm Sewer Reimbursement	104,012
Total	<u>\$341,051</u>

Note 8 - Tax Abatements

As of December 31, 2022, the City provides tax abatements through Community Reinvestment Area (CRA) Tax Abatements and the Municipal Income Tax Incentive Program.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established four Community Reinvestment Areas to provide property tax abatements to stimulate redevelopment by improvements and rehabilitation of properties located on Vine Street. Abatements are obtained through application by the property owner meeting a set of established goals outlined in the City of Eastlake Community Reinvestment Area Guidelines. The amount of the abatement is deducted from the recipient's tax bill. In 2022, the values of taxes being abated total \$1,067.

City of Eastlake, Ohio
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For the Year Ended December 31, 2022

Municipal Income Tax Incentive Program

The City of Eastlake created the Municipal Tax Incentive Program in 2007. The purpose of the program is to maintain Eastlake's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to businesses based on the business' new gross annual payroll. The abatement is administered as a refund based on the business' payroll taxes. The time period in years is based on the business' amount of new gross payroll created. During 2022, the cap on the incentive was 50 percent of the business' 2 percent City payroll tax with an incentive period of no more than 7 years. In 2022, the taxes abated under this program were \$108,117.

Note 9 - Interfund Transactions

Interfund Balances

Interfund receivables and payables are due to the timing of the receipt of grant monies by the major and nonmajor funds. All interfund balances are typically repaid within one year or when the grant is completed. Interfund balances at December 31, 2022, consist of interfund receivable/payables between the general fund and the state grants special revenue fund, captain stadium improvements capital projects fund and sanitary sewer and storm water management enterprise funds in the amount of \$175,000, \$1,421,284, \$78,716 and \$100,000, respectively.

Interfund Transfers

During 2022, the general fund transferred \$650,000 to the general bond retirement debt service fund as debt payments came due and \$630,000 to other governmental funds to provide additional resources for current operations. Other governmental funds transferred \$250,000 to the general bond retirement debt service fund as debt payments came due. The sanitary sewer enterprise fund transferred \$941 to the road improvement capital projects fund for debt payments.

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole. Eliminations made in the total column of the entity wide statement of net position related to pension include deferred outflows of resources for the business-type activities related to the sanitary sewer enterprise fund and deferred inflows of resources for the governmental type activities in the amount of \$4,808. Eliminations made in the total column of the entity wide statement of net position related to OPEB include deferred outflows of resources for the business-type activities related to the sanitary sewer enterprise fund and deferred inflows of resources for the governmental type activities in the amount of \$3,164.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 - Capital Assets

A summary of changes in capital assets during 2022 follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,952,005	\$0	\$0	\$7,952,005
Construction in Progress	2,817,633	3,279,550	(2,963,147)	3,134,036
<i>Total Nondepreciable Capital Assets</i>	<u>10,769,638</u>	<u>3,279,550</u>	<u>(2,963,147)</u>	<u>11,086,041</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	18,153,295	0	0	18,153,295
Buildings and Improvements	10,159,367	599,238	(4,950)	10,753,655
Machinery and Equipment	5,404,466	318,763	(38,488)	5,684,741
Computer Software	287,197	0	0	287,197
Vehicles	5,247,046	716,957	(463,189)	5,500,814
Intangible Right to Use Lease - Equipment**	33,499	0	0	33,499
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	29,521,263	3,112,605	0	32,633,868
<i>Total Depreciable Capital Assets</i>	<u>68,806,133</u>	<u>4,747,563</u>	<u>(506,627)</u>	<u>73,047,069</u>
<i>Less Accumulated Depreciation/Amortization:</i>				
Land Improvements	(7,302,688)	(364,531)	0	(7,667,219)
Buildings and Improvements	(6,106,039)	(235,097)	1,279	(6,339,857)
Machinery and Equipment	(3,481,152)	(305,334)	38,488	(3,747,998)
Computer Software	0	(60,056)	0	(60,056)
Vehicles	(2,145,673)	(347,839)	280,727	(2,212,785)
Intangible Right to Use Lease - Equipment**	0	(7,882)	0	(7,882)
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	(22,263,002)	(608,763)	0	(22,871,765)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(41,298,554)</u>	<u>(1,929,502) *</u>	<u>320,494</u>	<u>(42,907,562)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>27,507,579</u>	<u>2,818,061</u>	<u>(186,133)</u>	<u>30,139,507</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$38,277,217</u>	<u>\$6,097,611</u>	<u>(\$3,149,280)</u>	<u>\$41,225,548</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$136,597
Security of Persons and Property	313,852
Transportation	576,443
Basic Utility Services	608,763
Leisure Time Activities	293,847
Total	<u>\$1,929,502</u>

** Of the current year depreciation total of \$1,929,502, \$7,882 is presented as general government expense on the Statement of Activities related to the City's intangible asset of a copier, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Business-Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	3,127,275	958,727	(3,786,471)	299,531
<i>Total Nondepreciable Capital Assets</i>	<u>3,202,831</u>	<u>958,727</u>	<u>(3,786,471)</u>	<u>375,087</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	10,230,400	3,476,373	0	13,706,773
Machinery and Equipment	1,095,253	0	0	1,095,253
Vehicles	435,232	0	(203,409)	231,823
Infrastructure				
Sewers	10,163,055	310,098	0	10,473,153
<i>Total Depreciable Capital Assets</i>	<u>21,923,940</u>	<u>3,786,471</u>	<u>(203,409)</u>	<u>25,507,002</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,652,558)	(244,298)	0	(1,896,856)
Machinery and Equipment	(485,180)	(59,153)	0	(544,333)
Vehicles	(323,622)	(14,761)	203,409	(134,974)
Infrastructure				
Sewers	(8,023,842)	(70,896)	0	(8,094,738)
<i>Total Accumulated Depreciation</i>	<u>(10,485,202)</u>	<u>(389,108)</u>	<u>203,409</u>	<u>(10,670,901)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>11,438,738</u>	<u>3,397,363</u>	<u>0</u>	<u>14,836,101</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$14,641,569</u>	<u>\$4,356,090</u>	<u>(\$3,786,471)</u>	<u>\$15,211,188</u>

Note 11 - Contingencies

Litigation

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

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

Grants

For the period January 1, 2022 to December 31, 2022 the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 12 - Risk Management

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

During 2022, the City participated in NORMA (Note 18), an insurance pool, for the following types of insurance:

<u>Type</u>	<u>Coverage</u>
Property	\$56,532,725
Inland Marine	10,000,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella	15,000,000

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

Workers' Compensation

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

Note 13 - Defined Benefit Pension Plans

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

Net Pension Liability /Net OPEB Liability (Asset)

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

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

Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

City of Eastlake, Ohio
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For the Year Ended December 31, 2022

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

City of Eastlake, Ohio
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receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2022 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

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

For 2022, the City's contractually required contribution was \$418,711 for the traditional plan. Of this amount, \$67,830 is reported as an intergovernmental payable for the traditional plan.

Ohio Police & Fire Pension Fund (OP&F)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

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	<u>Police</u>	<u>Firefighters</u>
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2022 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$997,404 for 2022. Of this amount, \$148,153 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0191360%	0.1835416%	
Prior Measurement Date	<u>0.0186800%</u>	<u>0.1761211%</u>	
Change in Proportionate Share	<u>0.0004560%</u>	<u>0.0074205%</u>	
Proportionate Share of the:			
Net Pension Liability	\$1,664,910	\$11,466,618	\$13,131,528
Pension Expense	(104,040)	930,344	826,304

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

City of Eastlake, Ohio
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For the Year Ended December 31, 2022

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$84,875	\$330,630	\$415,505
Changes of assumptions	208,195	2,095,606	2,303,801
Changes in proportion and differences between City contributions and proportionate share of contributions	111,455	710,226	821,681
City contributions subsequent to the measurement date	<u>418,711</u>	<u>997,404</u>	<u>1,416,115</u>
Total Deferred Outflows of Resources	<u>\$823,236</u>	<u>\$4,133,866</u>	<u>\$4,957,102</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$36,516	\$596,107	\$632,623
Net difference between projected and actual earnings on pension plan investments	1,980,349	3,006,370	4,986,719
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>43,534</u>	<u>43,534</u>
Total Deferred Inflows of Resources	<u>\$2,016,865</u>	<u>\$3,646,011</u>	<u>\$5,662,876</u>

\$1,416,115 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2023	(\$166,654)	\$155,844	(\$10,810)
2024	(664,998)	(652,679)	(1,317,677)
2025	(465,660)	(174,330)	(639,990)
2026	(315,028)	(123,409)	(438,437)
2027	<u>0</u>	<u>285,025</u>	<u>285,025</u>
Total	<u>(\$1,612,340)</u>	<u>(\$509,549)</u>	<u>(\$2,121,889)</u>

City of Eastlake, Ohio
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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	OPERS Traditional Plan
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

For 2020, 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

City of Eastlake, Ohio
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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 the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00%</u>	<u>4.21%</u>

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the City’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$4,389,607	\$1,664,910	(\$602,401)

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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 the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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.

City of Eastlake, Ohio
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Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	125.00 %	

Note: Assumptions are geometric.

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing

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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 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2021, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$17,004,834	\$11,466,618	\$6,854,651

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (asset).

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 (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-

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insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive 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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

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Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 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 \$0 for 2022.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). 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.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded. The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$23,380 for 2022. Of this amount, \$3,474 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.0178090%	0.1835416%	
Prior Measurement Date	<u>0.0173970%</u>	<u>0.1761211%</u>	
Change in Proportionate Share	<u>0.0004120%</u>	<u>0.0074205%</u>	
Proportionate Share of the:			<u>Total</u>
Net OPEB Liability	\$0	\$2,011,775	\$2,011,775
Net OPEB (Asset)	(\$557,806)	\$0	(\$557,806)
OPEB Expense	(\$396,418)	\$185,501	(\$210,917)

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At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$91,518	\$91,518
Changes of assumptions	0	890,473	890,473
Changes in proportion and differences between City contributions and proportionate share of contributions	43,106	186,089	229,195
City contributions subsequent to the measurement date	<u>0</u>	<u>23,380</u>	<u>23,380</u>
Total Deferred Outflows of Resources	<u>\$43,106</u>	<u>\$1,191,460</u>	<u>\$1,234,566</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$84,611	\$265,884	\$350,495
Changes of assumptions	225,793	233,656	459,449
Net difference between projected and actual earnings on OPEB plan investments	265,923	181,730	447,653
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>65,587</u>	<u>65,587</u>
Total Deferred Inflows of Resources	<u>\$576,327</u>	<u>\$746,857</u>	<u>\$1,323,184</u>

\$23,380 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 or an increase in the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2023	(\$315,706)	\$102,976	(\$212,730)
2024	(121,222)	75,996	(45,226)
2025	(58,103)	89,719	31,616
2026	(38,190)	34,106	(4,084)
2027	0	57,129	57,129
Thereafter	<u>0</u>	<u>61,297</u>	<u>61,297</u>
Total	<u>(\$533,221)</u>	<u>\$421,223</u>	<u>(\$111,998)</u>

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Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021
Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent
	including wage inflation
Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial
	3.50 percent, ultimate in 2034
Actuarial Cost Method	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

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The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB asset on the measurement date of December 31, 2021. 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 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). 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

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fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	(\$328,042)	(\$557,806)	(\$748,512)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset 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 2022 is 5.50 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 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 asset	(\$563,833)	(\$557,806)	(\$550,654)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of

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

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

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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.

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

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

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

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

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

Discount Rate For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 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 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	\$2,528,844	\$2,011,775	\$1,586,741

Note 15 - Compensated Absences

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

City of Eastlake, Ohio
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Note 16 - Long-term Obligations

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

Debt Issue	Interest Rate		Original Issue Amount	Year of Maturity
Governmental Activities:				
<i>General Obligation Bonds:</i>				
2020 Tax Exempt Refunding of 2011 Bonds	1.30	%	\$4,960,000	2027
2020 Taxable Refunding of 2013 Bonds	1.76		2,785,000	2027
<i>OPWC Loans from Direct Borrowings:</i>				
East Overlook Road, Storm and Sanitary Sewer	0		26,254	2023
Roberts Road Improvements	0		150,000	2025
Plymouth Road and Sewer	0		58,200	2025
Roberts Road Improvements - Phase 2	0		96,508	2031
Edison and Mondamin Storm Sewer	0		37,646	2032
Willowick Drive	0		88,941	2040
Stevens Boulevard Paving	0		150,000	2042
<i>Financed Purchases:</i>				
Loader	3.30		139,853	2022
Fire Trucks	3.58		1,023,014	2026
Police Tasers	0.00		48,063	2022
Debt Issue	Interest Rate		Original Issue Amount	Year of Maturity
Business-Type Activities:				
<i>From Direct Borrowings:</i>				
<i>OPWC Loans:</i>				
Robin/Forest/King Drive Pump Stations	0	%	\$50,000	2030
Admiral Drive Emergency Force Main Replacement	0		18,732	2027
Quentin Road Pump Station	0		100,292	2032
Plymouth Drive Storm Outfall	0		40,307	2042
<i>OWDA Loans:</i>				
Waverly Relief Sewer	1.66-2.08		4,807,731	N/A
Galalina Storm Sewer	1.12		3,477,326	N/A
Plymouth Drive Storm Sewer	0.92		532,289	N/A

Changes in long-term obligations of the City during 2022 were as follows:

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	Balance 12/31/2021	Increase	Decrease	Balance 12/31/2022	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2020 Tax Exempt Refunding of 2011 Bonds:					
Term	\$4,250,000	\$0	\$720,000	\$3,530,000	\$740,000
2020 Taxable Refunding of 2013 Bonds:					
Term	2,420,000	0	375,000	2,045,000	385,000
<i>Total General Obligation Bonds</i>	<u>6,670,000</u>	<u>0</u>	<u>1,095,000</u>	<u>5,575,000</u>	<u>1,125,000</u>
OPWC Loans from Direct Borrowings:					
East Overlook Road, Storm and Sanitary Sewer	1,970	0	656	1,314	1,314
Roberts Road Improvements	22,500	0	3,750	18,750	7,500
Plymouth Road and Sewer	11,640	0	1,455	10,185	2,910
Roberts Road Improvements-Phase 2	45,843	0	2,413	43,430	4,825
Edison and Mondamin Storm Sewer	18,824	0	941	17,883	1,882
Willowick Drive	95,356	0	2,649	92,707	5,297
Stevens Boulevard Paving	150,000	0	3,750	146,250	7,500
<i>Total OPWC Loans</i>	<u>346,133</u>	<u>0</u>	<u>15,614</u>	<u>330,519</u>	<u>31,228</u>
Other Long-Term Obligations:					
Asset Retirement Obligations	86,499	0	0	86,499	0
Financed Purchases from Direct Placements	775,146	0	159,942	615,204	145,784
Leases Payable	33,499	0	7,809	25,690	7,854
Compensated Absences Payable	1,415,432	213,875	280,801	1,348,506	247,709
<i>Total Other Long-Term Obligations</i>	<u>2,310,576</u>	<u>213,875</u>	<u>448,552</u>	<u>2,075,899</u>	<u>401,347</u>
Net Pension Liability:					
OPERS	2,600,138	0	1,051,770	1,548,368	0
OP&F	12,006,333	0	539,715	11,466,618	0
<i>Total Net Pension Liability</i>	<u>14,606,471</u>	<u>0</u>	<u>1,591,485</u>	<u>13,014,986</u>	<u>0</u>
Net OPEB Liability:					
OP&F	1,866,032	145,743	0	2,011,775	0
Total Governmental Activities	<u><u>\$25,799,212</u></u>	<u><u>\$359,618</u></u>	<u><u>\$3,150,651</u></u>	<u><u>\$23,008,179</u></u>	<u><u>\$1,557,575</u></u>

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	Balance 12/31/2021	Increase	Decrease	Balance 12/31/2022	Amounts Due in One Year
Business-Type Activities:					
OPWC Loans from Direct Borrowings:					
Robin/Forest/King Drive Pump Stations	\$20,000	\$0	\$1,250	\$18,750	\$2,500
Quentin Road Pump Station	52,650	0	2,507	50,143	5,015
Admiral Drive Emergency Force Main Replacement	0	18,732	0	18,732	3,746
Plymouth Drive Storm Outfall	31,668	8,639	0	40,307	2,016
<i>Total OPWC Loans</i>	<u>104,318</u>	<u>27,371</u>	<u>3,757</u>	<u>127,932</u>	<u>13,277</u>
OWDA Loans from Direct Borrowings:					
Waverly Relief Sewer	4,736,260	0	228,916	4,507,344	0
Galalina Storm Sewer	3,141,623	147,511	156,040	3,133,094	0
Plymouth Drive Storm Outfall	154,473	3,745	10,550	147,668	0
<i>Total OWDA Loans</i>	<u>8,032,356</u>	<u>151,256</u>	<u>395,506</u>	<u>7,788,106</u>	<u>0</u>
Other Long-Term Obligations:					
Asset Retirement Obligation	2,570,000	900,000	0	3,470,000	0
Compensated Absences Payable	31,687	11,508	15,048	28,147	14,253
<i>Total Other Long-Term Obligations</i>	<u>2,601,687</u>	<u>911,508</u>	<u>15,048</u>	<u>3,498,147</u>	<u>14,253</u>
Net Pension Liability:					
OPERS	165,964	0	49,422	116,542	0
Total Business-Type Activities	<u>\$10,904,325</u>	<u>\$1,090,135</u>	<u>\$463,733</u>	<u>\$11,530,727</u>	<u>\$27,530</u>

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

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

Net proceeds of \$4,896,323 (after payment of \$63,677 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2011 tax exempt bonds. As a result, \$3,485,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

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

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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Year	Issue \$4,960,000
2023	\$740,000
2024	750,000
2025	750,000
2026	765,000
Total Mandatory Sinking	
Fund Payments	3,005,000
Amount Due at Stated Maturity	525,000
Total	\$3,530,000
<i>Stated Maturity</i>	12/1/2027

During 2020, the City issued taxable term bonds, in the amount of \$2,785,000, to refund bonds previously issued in 2013 to refund bonds issued for construction of the stadium. The bonds were issued for a 7 year period with final maturity on December 1, 2027 and an interest rate of 1.76 percent. The bonds will be retired through the general bond retirement debt service fund.

Net proceeds of \$2,741,354 (after payment of \$43,646 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2011 tax exempt bonds. As a result, \$2,290,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

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

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue \$2,785,000
2023	\$385,000
2024	405,000
2025	410,000
2026	415,000
Total Mandatory Sinking	
Fund Payments	1,615,000
Amount Due at Stated Maturity	430,000
Total	\$2,045,000
<i>Stated Maturity</i>	12/1/2027

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

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The City’s outstanding OPWC loans from direct borrowings related to governmental activities of \$330,519 and business-type activities of \$127,932 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General’s office for collection, and as provided by law, OPWC may require that such payment be taken from the City’s share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC’s option, become immediately due and payable.

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

The City’s outstanding OWDA loan from direct borrowings of \$7,788,106 related to business-type activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during with the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

A line of credit has been established with OWDA in the amount of \$5,277,693 to cover the costs of replacing sanitary sewer lines along Waverly Road. The loan has an interest rates ranging from 1.66 to 2.08 percent and will mature in 2039. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2022 is \$4,507,344.

A line of credit has been established with OWDA in the amount of \$3,477,326 to cover the costs of replacing Galalina storm sewer. The loan has an interest rate of 1.12 percent and will mature in 2042. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2022 is \$3,133,094.

A line of credit has been established with OWDA in the amount of \$228,436 to cover the costs of replacing storm outfalls along Plymouth Drive and Quentin Road. The loan has an interest rate of .92 percent and will mature in 2041. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2022 is \$147,668.

Financed Purchases Financed purchase obligations will be paid from the fund that maintains custody of the related assets. Financed purchases will be paid from the general fund, permissive motor vehicle license special revenue fund, and fire levy capital projects fund. A summary of the principal and interest amounts for the remaining financed purchases is as follows:

Year	Principal	Interest
2023	\$145,784	\$22,024
2024	151,003	16,805
2025	156,409	11,399
2026	162,008	5,800
	\$615,204	\$56,028
	\$615,204	\$56,028

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Lease Payables The City has outstanding agreement to lease copiers. Due to the implementation of GASB Statement 87, this lease has met the criteria of leases thus requiring it to be recorded by the City. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	\$7,854	\$125
2024	7,899	81
2025	7,944	36
2026	1,993	2
	<u>\$25,690</u>	<u>\$244</u>

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

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

The City's overall legal debt margin was \$40,995,268 with an unvoted debt margin of \$14,777,869 at December 31, 2022.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2022, were as follows:

Year	Governmental Activities		Business-Type Activities	
	General Obligation Bonds		<i>From Direct</i>	<i>From Direct</i>
	Principal	Interest	<i>Borrowings</i>	<i>Borrowings</i>
			OPWC Loans	OPWC Loans
2023	\$1,125,000	\$81,882	\$31,228	\$13,277
2024	1,155,000	65,486	29,917	13,276
2025	1,160,000	48,608	26,166	13,277
2026	1,180,000	31,642	20,961	13,277
2027	955,000	14,394	19,506	13,279
2028-2032	0	0	91,762	41,389
2033-2037	0	0	63,988	10,077
2038-2041	0	0	46,991	10,080
Total	<u>\$5,575,000</u>	<u>\$242,012</u>	<u>\$330,519</u>	<u>\$127,932</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 17 - Jointly Governed Organization

Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and gas. NOPEC is currently comprised of over 200 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide electricity and gas at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 twenty-member NOPEC Board of Directors. In 2022, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio, 44139 or at the website www.nopecinfo.org.

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 405 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2022, the City paid RITA \$162,767 for income tax collection services.

Lake County Communities Energy Special Improvement District

The Lake County Communities Energy Special Improvement District (the "District") is a jointly governed organization that is to enhance the value of properties, within the District and improve the environment by developing and assisting in developing the District special energy improvement projects. For 2022, the City did not contribute to the District. For more information, contact National Registered Agents, Inc., 4400 Easton Commons Way, Suite 125, Columbus, Ohio 43219.

Lake County Communities Shoreline Special Improvement District

The Lake County Communities Shoreline Special Improvement District (the "District") is a jointly governed organization that is to enhance the value of properties, within the District and improve the environment by developing and assisting in developing and implementing shoreline improvement projects that abate the erosion of the shoreline. For 2022, the City did not contribute to the District. For more information, contact Kevin Butler, 600 Superior Avenue, East, Suite 2100, Cleveland, Ohio 44114.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 18 - Shared Risk Pool

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

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

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

In 2022, the City of Eastlake paid \$192,611 in premiums from the general fund, which represents 8.24 percent of the total premiums paid by all members. Financial information can be obtained by contacting Jeffrey Knoblauch, 1140 Terex Road, Hudson, Ohio 44236.

Note 19 - Related Organization

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

Note 20 – Willoughby-Eastlake Joint Sewer Treatment Facility

In 1955, the City entered into an agreement with the City of Willoughby for the purpose of financing and constructing a joint sewer treatment facility. The agreement has been amended 15 times since. The joint sewer treatment facility includes a sewer plant, outfalls and joint sewers. The sewer plant and improvements were constructed by the City of Willoughby. The outflows were constructed and financed by the City of Eastlake and conveyed to the City of Willoughby upon completion. The joint sewers were constructed by the City of Willoughby and financed jointly by both cities. The City of Willoughby holds legal title to the sewer plant and improvements made to the facility, outflows and joint sewers. The City of Willoughby operates and manages the plant and joint sewers. Each city is responsible for all sewer lines constructed within their corporate limits with connection to the joint sewer facility. The City of Willoughby bills the City of Eastlake on a monthly basis for services provided, maintenance and construction improvements of the joint sewer facilities. The billing is based upon flow measured by meters and includes

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

a contribution for future capital improvements to the joint sewer treatment facility. The agreement has been amended for the City to contribute an amount equal to fifty percent of all costs associated with the capital improvement projects. Although the joint sewer treatment facility is managed by the Willoughby-Eastlake Joint Sewer Advisory Committee appointed by the cities of Willoughby and Eastlake, ultimately the joint sewer treatment facility is part of the City of Willoughby's reporting entity. The City paid \$1,739,025 to the City of Willoughby for the joint sewer treatment facility in 2022 which is accounted for in the City's sanitary sewer enterprise fund.

Note 21 - Encumbrances

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

Governmental Funds:	
General	\$985,937
Captain Stadium Improvements	10,460
Other Governmental Funds	534,982
<i>Total Governmental Funds</i>	<u>1,531,379</u>
Proprietary Fund:	
Sanitary Sewer	125,686
Storm Water Management	6,329
<i>Total Proprietary Funds</i>	<u>132,015</u>
<i>Total Encumbrances</i>	<u><u>\$1,663,394</u></u>

Note 22 – Asset Retirement Obligations

The Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The City has the following AROs:

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$3,470,000 associated with the City's waste water treatment facilities were estimated by the City engineer. The remaining useful life of these facilities is 20 years.

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Local City laws and regulation require an “owner” or “operator,” to remove from the ground any concrete swimming pools that are not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the swimming pool is removed, the soil in the ground cavity and excavated material must be tested for contamination. This assets retirement obligations (ARO) of \$18,999 associated with the City’s swimming pool was estimated by the City engineer. The remaining useful life of the swimming pool is 37 years.

Note 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2022, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 24 – Subsequent Events

On February 1, 2023, the City signed an agreement with the Ohio Water Development Authority to finance the Waverly sanitary relief sewer phase 2 project. The City has been awarded a line of credit in the amount of \$3,105,474 to cover the costs of the project.

On February 14, 2023 a memorandum of understanding between the cities of Willoughby, Eastlake and Willowick was approved for engineering for Vine Street Corridor project. The project is to be funded through grant proceeds from the Northeast Ohio Areawide Coordinating Agency (NOACA). On April 1, 2023, NOACA awarded the City of Eastlake \$1.5 million grant for their contribution to the project.

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Required Supplementary Information

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

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0191360%	0.0186800%	0.0174930%	0.0168430%
City's Proportionate Share of the Net Pension Liability	\$1,664,910	\$2,766,102	\$3,457,609	\$4,612,955
City's Covered Payroll	\$2,747,429	\$2,631,000	\$2,461,214	\$2,274,986
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	60.60%	105.14%	140.48%	202.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

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

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.0154430%	0.0154640%	0.0160150%	0.0194010%	0.0194010%
\$2,422,708	\$3,511,613	\$2,773,999	\$2,339,977	\$2,287,125
\$2,040,854	\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,631
118.71%	175.67%	139.17%	98.38%	90.66%
84.66%	77.25%	81.08%	86.45%	86.36%

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

	2022	2021	2020	2019
City's Proportion of the Net OPEB Liability	0.0178090%	0.0173970%	0.0162920%	0.0157000%
City's Proportionate Share of the Net OPEB Liability/(Asset)	(\$557,806)	(\$309,941)	\$2,250,349	\$2,046,910
City's Covered Payroll	\$2,747,429	\$2,631,000	\$2,461,314	\$2,277,236
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-20.30%	-11.78%	91.43%	89.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2018	2017
0.0144200%	0.0124000%
\$1,565,906	\$1,252,442
\$2,553,004	\$2,998,508
61.34%	41.77%
54.14%	54.04%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's Proportion of the Net Pension Liability	0.1835416%	0.1761211%	0.1717945%	0.1708640%
City's Proportionate Share of the Net Pension Liability	\$11,466,618	\$12,006,333	\$11,572,996	\$13,947,018
City's Covered Payroll	\$4,813,873	\$4,224,613	\$3,987,448	\$4,064,518
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	238.20%	284.20%	290.24%	343.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

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

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.1662910%	0.1698210%	0.1735800%	0.1820268%	0.1820270%
\$10,206,031	\$10,756,292	\$11,166,524	\$9,429,747	\$8,865,276
\$3,321,193	\$3,598,541	\$3,734,429	\$3,566,749	\$3,396,064
307.30%	298.91%	299.02%	264.38%	261.05%
70.91%	68.36%	66.77%	71.71%	73.00%

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

	2022	2021	2020	2019
City's Proportion of the Net OPEB Liability	0.1835416%	0.1761211%	0.1717945%	0.1708640%
City's Proportionate Share of the Net OPEB Liability	\$2,011,775	\$1,866,032	\$1,696,940	\$1,555,978
City's Covered Payroll	\$4,813,873	\$4,224,613	\$3,987,448	\$4,064,518
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	41.79%	44.17%	42.56%	38.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.40%	47.08%	46.57%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>
0.1662910%	0.1698210%
\$9,421,814	\$8,061,021
\$3,321,193	\$3,598,541
283.69%	224.01%
14.13%	15.96%

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

	2022	2021	2020	2019
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$418,711	\$384,640	\$368,340	\$344,570
Contributions in Relation to the Contractually Required Contribution	<u>(418,711)</u>	<u>(384,640)</u>	<u>(368,340)</u>	<u>(344,570)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,990,793	\$2,747,429	\$2,631,000	\$2,461,214
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability - OPEB Plan (1)				
Contractually Required Contribution	\$0	\$0	\$0	\$4
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$2,990,793	\$2,747,429	\$2,631,000	\$2,461,214
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

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

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$318,498	\$265,311	\$239,881	\$239,190	\$285,435	\$327,942
<u>(318,498)</u>	<u>(265,311)</u>	<u>(239,881)</u>	<u>(239,190)</u>	<u>(285,435)</u>	<u>(327,942)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,274,986	\$2,040,854	\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,631
<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$90	\$40,895	\$79,960			
<u>(90)</u>	<u>(40,895)</u>	<u>(79,960)</u>			
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>			
\$2,277,236	\$2,553,004	\$2,998,508			
<u>0.00%</u>	<u>1.60%</u>	<u>2.67%</u>			

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

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	\$997,404	\$1,025,676	\$906,426	\$857,583
Contributions in Relation to the Contractually Required Contribution	<u>(997,404)</u>	<u>(1,025,676)</u>	<u>(906,426)</u>	<u>(857,583)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$4,676,094	\$4,813,873	\$4,224,613	\$3,987,448
Pension Contributions as a Percentage of Covered Payroll	<u>21.33%</u>	<u>21.31%</u>	<u>21.46%</u>	<u>21.51%</u>
Net OPEB Liability				
Contractually Required Contribution	\$23,380	\$24,070	\$21,123	\$19,938
Contributions in Relation to the Contractually Required Contribution	<u>(23,380)</u>	<u>(24,070)</u>	<u>(21,123)</u>	<u>(19,938)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.55%</u>	<u>0.57%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.88%</u>	<u>21.88%</u>	<u>21.96%</u>	<u>22.01%</u>

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$874,338	\$712,177	\$772,472	\$797,325	\$761,770	\$612,833
<u>(874,338)</u>	<u>(712,177)</u>	<u>(772,472)</u>	<u>(797,325)</u>	<u>(761,770)</u>	<u>(612,833)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,064,518	\$3,321,193	\$3,598,541	\$3,734,429	\$3,566,749	\$3,396,064
<u>21.51%</u>	<u>21.44%</u>	<u>21.47%</u>	<u>21.35%</u>	<u>21.36%</u>	<u>18.05%</u>
\$20,322	\$16,606	\$17,993	\$18,672	\$17,834	\$122,824
<u>(20,322)</u>	<u>(16,606)</u>	<u>(17,993)</u>	<u>(18,672)</u>	<u>(17,834)</u>	<u>(122,824)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>
<u>22.01%</u>	<u>21.94%</u>	<u>21.97%</u>	<u>21.85%</u>	<u>21.86%</u>	<u>21.67%</u>

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019	2018 and 2017	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

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

2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple 5.50 to 5.00 percent

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

Amounts reported beginning in 2017 use 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.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OPERS Pension – Combined Plan

	2022	2019	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual	Individual	Individual
	Entry Age	Entry Age	Entry Age

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

Changes in Assumptions – OP&F Pension

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

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

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

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

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

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

Changes in Assumptions – OPERS OPEB

Wage Inflation:	
2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:	
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

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

**CITY OF EASTLAKE
LAKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF TREASURY		
<i>Passed Through Lake County</i>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 1,116,816
<i>Passed Through Ohio Department of Development</i>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>78,716</u>
Total U.S. Department of Treasury		1,195,532
U.S. DEPARTMENT OF JUSTICE		
<i>Passed Through Office of Budget and Management</i>		
Victims of Crime	16.575	<u>39,384</u>
Total U.S. Department of Justice		39,384
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Passed Through Lake County</i>		
Community Development Block Grants/Entitlement Grants	14.218	<u>192,800</u>
Total U.S. Department of Housing and Urban Development		192,800
U.S. DEPARTMENT OF COMMERCE		
<i>Passed Through Ohio Department of Natural Resources</i>		
Coastal Zone Management Administration	11.419	<u>50,000</u>
Total U.S. Department of Commerce		50,000
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY		
<i>Passed Through Ohio Department of Environmental Agency</i>		
Nonpoint Source Implementation Grants	66.460	<u>103,354</u>
Total U.S. Department of Environmental Protection Agency		103,354
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Direct Award</i>		
Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	<u>11,832</u>
Total U.S. Department of Health Resources and Services		<u>11,832</u>
Total Expenditures of Federal Awards		<u>\$ 1,592,902</u>

The accompanying notes are an integral part of this schedule.

**City of Eastlake
Lake County**

**Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended December 31, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Eastlake, Lake County, (the City's) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared 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, it is not intended to and does not present the financial position, changes in net position or cashflows of the City.

NOTE B – 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

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

To the Members of the City Council:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 20, 2023, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We also noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 87, *Leases*.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion 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.

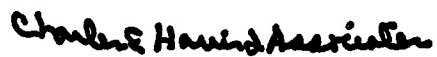
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 financial statements. 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.



Charles E. Harris & Associates, Inc.
July 20, 2023

Charles E. Harris & Associates, Inc.

Certified Public Accountants

5510 Pearl Road Ste 102

Parma, OH 44129-2550

Phone - (216) 575-1630

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the City Council:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Eastlake, Lake County, Ohio's (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2022. The City's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The City's management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

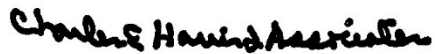
Report on Internal Control Over Compliance

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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
July 20, 2023

**CITY OF EASTLAKE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
December 31, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Coronavirus State and Local Fiscal Recovery Funds – ALN # 21.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

CITY OF EASTLAKE

LAKE COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2021



CITY OF EASTLAKE
LAKE COUNTY
REGULAR AUDIT
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of the City Council:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire and EMS Levy funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

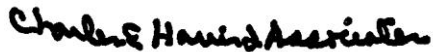
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.



Charles E. Harris & Associates, Inc.
July 20, 2023

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City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2021 are as follows:

- In 2021, the City's governmental fund balance increased by \$1,491,840. The general fund increased by \$1,301,799.
- The City continues to focus on the maintenance and repair of streets. During 2021, the City completed significant work to Willoway Beach Shoreline and Jakse pool as well as continued improvements to Stevens Boulevard and Stevens Pavement.
- In 2021, the City continued work on a \$3.5 million project for storm sewer and pump station improvements to the Galalina Area Pump Station as well as a \$6 million Waverly Road sewer repair project. The City also has several projects at Willoway Beach, Plymouth Drive, Quentin Road, North Parkway and Wicklow, totaling \$1 million.

Using This Annual Financial Report

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

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

The City of Eastlake as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

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

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

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

Reporting the City's Most Significant Funds

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

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

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

The City of Eastlake maintains 50 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, fire and ems levy special revenue funds, general bond retirement debt service fund and the road improvement capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Eastlake adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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 much like that used for proprietary funds. The City's fiduciary fund is a custodial fund.

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

The City as a Whole

As noted earlier, the statement of net position looks at the City as a whole. The following table provides a summary of the City's net position for 2021 compared to 2020.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021*	2020*
Assets						
Current and Other Assets	\$24,377,158	\$21,427,794	\$5,297,201	\$5,479,731	\$29,674,359	\$26,907,525
Capital Assets, Net	38,243,718	38,568,602	14,641,569	12,465,853	52,885,287	51,034,455
Total Assets	62,620,876	59,996,396	19,938,770	17,945,584	82,559,646	77,941,980
Deferred Outflows of Resources						
Deferred Charge on Refunding	402,188	469,220	0	0	402,188	469,220
Asset Retirement Obligation	14,059	14,439	514,000	642,500	528,059	656,939
Pension	2,682,415	2,568,760	41,068	89,086	2,709,203	2,561,575
OPEB	1,479,368	1,650,947	20,109	52,868	1,489,507	1,642,226
<i>Total Deferred Outflows of Resources</i>	4,578,030	4,703,366	575,177	784,454	5,128,957	5,329,960
Liabilities						
Current Liabilities	2,422,712	1,406,068	903,081	986,682	3,325,793	2,392,750
Long-Term Liabilities						
Due Within One Year	1,559,469	1,547,442	22,563	29,387	1,582,032	1,576,829
Due in More Than One Year	7,733,741	8,784,757	10,715,798	8,173,650	18,449,539	16,958,407
Net Pension Liability	14,606,471	14,788,574	165,964	242,031	14,772,435	15,030,605
Net OPEB Liability	1,866,032	3,789,765	0	157,524	1,866,032	3,947,289
<i>Total Liabilities</i>	28,188,425	30,316,606	11,807,406	9,589,274	39,995,831	39,905,880
Deferred Inflows of Resources						
Property Tax	4,906,120	4,714,601	0	0	4,906,120	4,714,601
Pension	2,292,250	2,079,752	85,911	147,610	2,363,881	2,131,091
OPEB	1,653,479	1,031,959	66,791	84,017	1,710,300	1,054,387
<i>Total Deferred Inflows of Resources</i>	\$8,851,849	\$7,826,312	\$152,702	\$231,627	\$8,980,301	\$7,900,079

continued

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Table 1
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021*	2020*
Net Position						
Net Investment in Capital Assets	\$30,688,157	\$29,784,972	\$5,645,242	\$6,082,654	\$36,333,399	\$35,867,626
Restricted for:						
Capital Projects	1,558,426	1,516,979	0	0	1,558,426	1,516,979
Debt Service	302,316	493,536	0	0	302,316	493,536
Other Purposes	4,175,975	3,583,345	0	0	4,175,975	3,583,345
Unrestricted (Deficit)	(6,566,242)	(8,821,988)	2,908,597	2,826,483	(3,657,645)	(5,995,505)
Total Net Position	\$30,158,632	\$26,556,844	\$8,553,839	\$8,909,137	\$38,712,471	\$35,465,981

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

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total net position for governmental activities showed an increase from 2020. This was largely due to overall revenues outpacing expenditures. Total net position for business-type activities saw a decrease as expenses outpaced capital grants and contributions.

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

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Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$1,977,212	\$1,491,481	\$2,451,842	\$2,760,804	\$4,429,054	\$4,252,285
Operating Grants and Contributions	1,797,900	4,235,817	0	2,025,815	1,797,900	6,261,632
Capital Grants and Interest	334,538	557,168	210,249	0	544,787	557,168
Total Program Revenues	4,109,650	6,284,466	2,662,091	4,786,619	6,771,741	11,071,085
General Revenues						
Property Taxes	4,961,349	5,139,261	0	0	4,961,349	5,139,261
Municipal Income Taxes	8,269,913	7,933,806	0	0	8,269,913	7,933,806
Hotel Taxes	62,443	30,273	0	0	62,443	30,273
Permissive MVL Taxes	167,493	113,274	0	0	167,493	113,274
Grants and Entitlements	1,668,815	1,994,686	0	0	1,668,815	1,994,686
Franchise Taxes	297,956	259,470	0	0	297,956	259,470
Interest	10,883	74,133	0	0	10,883	74,133
Other	180,830	46,281	0	0	180,830	46,281
Total General Revenues	15,619,682	15,591,184	0	0	15,619,682	15,591,184
Total Revenues	19,729,332	21,875,650	2,662,091	4,786,619	22,391,423	26,662,269
Program Expenses						
General Government	4,028,581	4,040,185	0	0	4,028,581	4,040,185
Security of Persons and Property	8,141,962	6,195,453	0	0	8,141,962	6,195,453
Public Health Services	223,292	222,377	0	0	223,292	222,377
Transportation	1,730,805	3,286,553	0	0	1,730,805	3,286,553
Community Environment	143,405	975,971	0	0	143,405	975,971
Basic Utility Services	484,316	415,760	0	0	484,316	415,760
Leisure Time Activities	1,159,766	838,949	0	0	1,159,766	838,949
Interest and Fiscal Charges	217,299	252,944	0	0	217,299	252,944
Sanitary Sewer	0	0	2,531,986	2,737,536	2,531,986	2,737,536
Storm Water	0	0	483,521	1,770,892	483,521	1,770,892
Total Expenses	16,129,426	16,228,192	3,015,507	4,508,428	19,144,933	20,736,620
Increase (Decrease) in Net Position						
Before Transfers	3,599,906	5,647,458	(353,416)	278,191	3,246,490	5,925,649
Transfers	1,882	3,127	(1,882)	(3,127)	0	0
Change in Net Position	3,601,788	5,650,585	(355,298)	275,064	3,246,490	5,925,649
Net Position Beginning of Year	26,556,844	20,906,259	8,909,137	8,634,073	35,465,981	29,540,332
Net Position End of Year	\$30,158,632	\$26,556,844	\$8,553,839	\$8,909,137	\$38,712,471	\$35,465,981

Governmental Activities

Several revenue sources fund governmental activities with City municipal income tax being the largest contributor. The City has a current municipal income tax rate of 2 percent and grants a 2 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of general revenue for governmental activities. The City collects 3 mills of inside millage and has approved 9.8

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mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, a .5 mill fire levy and a new additional 4.5 mill fire levy. The 1.8 mill operating levy was renewed by the voters on November 2, 2021. The .5 mill fire levy was renewed by the voters in the November 5, 2019 election and an additional 4.5 mill fire levy was passed by the voters on May 2, 2017. On November 3, 2020, voters renewed the 3 mill road levy for an additional 5 years with collections starting in 2021. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services. During 2021, property tax revenue collections remained consistent with the prior year. Municipal income taxes saw a slight increase from 2020 largely due to the coronavirus pandemic and the effect it has had on the local economy.

Program expenses decreased from 2020 levels. The most substantial decreases were in general government, community environment and transportation expenses, which were offset by increases in security of persons and property, basic utility services and leisure time activities expenses.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2021		2020	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$4,028,581	(\$3,412,303)	\$4,040,185	(\$3,121,075)
Security of Persons and Property	8,141,962	(6,972,956)	6,195,453	(3,654,597)
Public Health Services	223,292	(193,325)	222,377	(191,834)
Transportation	1,730,805	(89,843)	3,286,553	(1,894,797)
Community Environment	143,405	(83,074)	975,971	(21,264)
Basic Utility Services	484,316	(484,308)	415,760	(415,758)
Leisure Time Activities	1,159,766	(566,668)	838,949	(391,457)
Interest and Fiscal Charges	217,299	(217,299)	252,944	(252,944)
Total	\$16,129,426	(\$12,019,776)	\$16,228,192	(\$9,943,726)

Business-Type Activities

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Revenues saw a decrease for 2021 due to a decrease in operating grants the City applied for and received. The expenses decreased due to a decrease in sewer projects the City is currently working on.

Governmental Funds Financial Analysis

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of the City's net resources. Governmental fund information can be found beginning on page 16 and is accounted for using the modified accrual basis of accounting.

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The City's major governmental funds are the general fund, fire and EMS levy special revenue fund, general bond retirement debt service fund and the road improvement capital projects fund. The general fund revenues exceeded expenditures for the year after transfers out are included. Municipal income taxes saw an increase in collections from 2020. Expenditures increased slightly. Management continues to monitor its spending to stay in line with the budget. The fire and ems levy special revenue fund balance increased due to revenues outpacing expenditures for the year. The general bond retirement fund saw a decrease in fund balance as a result of debt payments exceeding revenues. The road improvement capital projects fund saw a decrease in fund balance as property tax revenues and intergovernmental revenues were lower than the prior year. The City also completed significant work on Willoway Beach Shoreline and Jakse pool as well as continued improvements to Stevens Boulevard and Stevens Pavement.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2021, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for additional funds to cover grant reimbursed expenditures and emergency construction work. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. There was an increase in revenues from the final budget due to an increased amount of municipal income taxes, intergovernmental, charges for services, fees, licenses and permits, franchise taxes, fines and forfeitures and other revenue received than expected. There was a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to continue its financial recovery.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2021 balances of capital assets as compared to 2020.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$7,952,005	\$7,792,984	\$75,556	\$75,556	\$8,027,561	\$7,868,540
Construction in Progress	2,817,633	2,339,377	3,127,275	1,118,812	5,944,908	3,458,189
Land Improvements	10,850,607	11,182,352	0	0	10,850,607	11,182,352
Buildings and Improvements	4,053,328	4,094,997	8,577,842	8,822,140	12,631,170	12,917,137
Machinery and Equipment	2,210,511	2,336,242	610,073	670,230	2,820,584	3,006,472
Vehicles	3,101,373	3,507,307	111,610	126,371	3,212,983	3,633,678
Infrastructure	7,258,261	7,315,343	2,139,213	1,652,744	9,397,474	8,968,087
Total Capital Assets	\$38,243,718	\$38,568,602	\$14,641,569	\$12,465,853	\$52,885,287	\$51,034,455

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For 2021, the primary additions for governmental activities included construction in progress that includes Stevens Boulevard, Stevens Pavement, improvements to North Parkway, Wicklow, Willoway Beach shoreline, Jakse pool, East Island road and waterline, Captains stadium and splash park. Various building improvements throughout the City were in response to the pandemic. The City also purchased a Dodge Durango for the police department as well as a Chevy Silverado for the fire department. These additions were offset by another year of depreciation.

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

Debt

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2021.

Table 5
 Outstanding Long-Term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$6,670,000	\$7,745,000	\$0	\$0	\$6,670,000	\$7,745,000
OPWC Loans	346,133	219,859	104,318	91,555	450,451	311,414
OWDA Loans	0	0	8,032,356	5,505,119	8,032,356	5,505,119
Capital Leases	775,146	948,873	0	0	775,146	948,873
Compensated Absences	1,415,432	1,331,968	31,687	36,363	1,447,119	1,368,331
Asset Retirement Obligation	86,499	86,499	2,570,000	2,570,000	2,656,499	2,656,499
Net Pension Liability	14,606,471	14,788,574	165,964	242,031	14,772,435	15,030,605
Net OPEB Liability	1,866,032	3,789,765	0	157,524	1,866,032	3,947,289
Total	\$25,765,713	\$28,910,538	\$10,904,325	\$8,602,592	\$36,670,038	\$37,513,130

At December 31, 2021, the general obligation bonds outstanding consist of the 2020 general obligation refunding bonds. The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital project revenues as well as storm and sewer improvement capital contributions.

In addition to the debt discussed above, the City's long-term obligations also include OWDA loans, capital leases, compensated absences, asset retirement obligation liability, pension and OPEB. Additional information concerning debt issuances can be found in Note 16 to the basic financial statements.

Current Related Financial Activities

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

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Contacting the City of Eastlake's Financial Management

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

Basic Financial Statements

City of Eastlake, Ohio
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$14,089,619	\$3,968,541	\$18,058,160
Accounts Receivable	368,374	453,867	822,241
Intergovernmental Receivable	1,610,130	832,973	2,443,103
Municipal Income Taxes Receivable	2,130,795	0	2,130,795
Hotel Taxes Receivable	6,811	0	6,811
Permissive Motor Vehicle Taxes Receivable	70,290	0	70,290
Prepaid Items	135,019	0	135,019
Materials and Supplies Inventory	164,227	1,957	166,184
Property Taxes Receivable	5,510,550	0	5,510,550
Special Assessments Receivable	0	21,265	21,265
Net OPEB Asset	291,343	18,598	309,941
Nondepreciable Capital Assets	10,769,638	3,202,831	13,972,469
Depreciable Capital Assets, Net	27,474,080	11,438,738	38,912,818
<i>Total Assets</i>	<u>62,620,876</u>	<u>19,938,770</u>	<u>82,559,646</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	402,188	0	402,188
Asset Retirement Obligation	14,059	514,000	528,059
Pension	2,682,415	41,068	2,709,203
OPEB	1,479,368	20,109	1,489,507
<i>Total Deferred Outflows of Resources</i>	<u>4,578,030</u>	<u>575,177</u>	<u>5,128,957</u>
Liabilities			
Accounts Payable	323,096	27,611	350,707
Contracts Payable	385,838	742,219	1,128,057
Accrued Wages	257,204	6,478	263,682
Retainage Payable	15,578	117,434	133,012
Matured Compensated Absences Payable	40,169	0	40,169
Intergovernmental Payable	326,508	9,339	335,847
Deposits Held Payable	122,072	0	122,072
Accrued Interest Payable	21,685	0	21,685
Unearned Revenue	930,562	0	930,562
Long-Term Liabilities:			
Due Within One Year	1,559,469	22,563	1,582,032
Due In More Than One Year	7,733,741	10,715,798	18,449,539
Net Pension Liability (See Note 13)	14,606,471	165,964	14,772,435
Net OPEB Liability (See Note 14)	1,866,032	0	1,866,032
<i>Total Liabilities</i>	<u>28,188,425</u>	<u>11,807,406</u>	<u>39,995,831</u>
Deferred Inflows of Resources			
Property Taxes	4,906,120	0	4,906,120
Pension	2,292,250	85,911	2,363,881
OPEB	1,653,479	66,791	1,710,300
<i>Total Deferred Inflows of Resources</i>	<u>8,851,849</u>	<u>152,702</u>	<u>8,980,301</u>
Net Position			
Net Investment in Capital Assets	30,688,157	5,645,242	36,333,399
Restricted for:			
Capital Projects	1,558,426	0	1,558,426
Debt Service	302,316	0	302,316
Other Purposes	4,175,975	0	4,175,975
Unrestricted (Deficit)	(6,566,242)	2,908,597	(3,657,645)
<i>Total Net Position</i>	<u>\$30,158,632</u>	<u>\$8,553,839</u>	<u>\$38,712,471</u>

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

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Activities
For the Year Ended December 31, 2021

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$4,028,581	\$587,097	\$29,181	\$0
Security of Persons and Property	8,141,962	660,567	492,897	15,542
Public Health Services	223,292	29,967	0	0
Transportation	1,730,805	53,157	1,268,809	318,996
Community Environment	143,405	53,318	7,013	0
Basic Utility Services	484,316	8	0	0
Leisure Time Activities	1,159,766	593,098	0	0
Interest and Fiscal Charges	217,299	0	0	0
<i>Total Governmental Activities</i>	<u>16,129,426</u>	<u>1,977,212</u>	<u>1,797,900</u>	<u>334,538</u>
Business-Type Activities:				
Sanitary Sewer	2,531,986	2,451,790	0	0
Storm Water	483,521	52	0	210,249
<i>Total Business-Type Activities</i>	<u>3,015,507</u>	<u>2,451,842</u>	<u>0</u>	<u>210,249</u>
<i>Total</i>	<u>\$19,144,933</u>	<u>\$4,429,054</u>	<u>\$1,797,900</u>	<u>\$544,787</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Police Pension

 Fire Pension

 Fire and EMS Operations

 Roads

Municipal Income Tax Levied for General Purposes

Hotel Taxes

Permissive Motor Vehicle License Taxes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$3,412,303)	\$0	(\$3,412,303)
(6,972,956)	0	(6,972,956)
(193,325)	0	(193,325)
(89,843)	0	(89,843)
(83,074)	0	(83,074)
(484,308)	0	(484,308)
(566,668)	0	(566,668)
(217,299)	0	(217,299)
(12,019,776)	0	(12,019,776)
0	(80,196)	(80,196)
0	(273,220)	(273,220)
0	(353,416)	(353,416)
(12,019,776)	(353,416)	(12,373,192)
1,356,182	0	1,356,182
187,102	0	187,102
133,644	0	133,644
133,644	0	133,644
2,220,421	0	2,220,421
930,356	0	930,356
8,269,913	0	8,269,913
62,443	0	62,443
167,493	0	167,493
1,668,815	0	1,668,815
297,956	0	297,956
10,883	0	10,883
180,830	0	180,830
15,619,682	0	15,619,682
1,882	(1,882)	0
15,621,564	(1,882)	15,619,682
3,601,788	(355,298)	3,246,490
26,556,844	8,909,137	35,465,981
\$30,158,632	\$8,553,839	\$38,712,471

City of Eastlake, Ohio

*Balance Sheet
Governmental Funds
December 31, 2021*

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$7,867,988	\$1,301,030	\$291,139	\$543,219
Accounts Receivable	368,374	0	0	0
Intergovernmental Receivable	804,246	25,205	10,093	37,428
Municipal Income Taxes Receivable	2,130,795	0	0	0
Hotel Taxes Receivable	0	0	0	0
Permissive Motor Vehicle				
Taxes Receivable	0	0	0	0
Prepaid Items	134,252	0	0	0
Materials and Supplies Inventory	7,745	0	0	134,344
Property Taxes Receivable	1,553,868	2,210,191	221,038	1,021,960
Restricted Assets:				
Equity in Pooled Cash and				
Cash Equivalents in Segregated Accounts	139,802	0	0	0
Total Assets	\$13,007,070	\$3,536,426	\$522,270	\$1,736,951
Liabilities				
Accounts Payable	\$239,047	\$0	\$0	\$15,883
Contracts Payable	25,387	0	0	194,575
Accrued Wages	164,830	73,122	0	7,919
Retainage Payable	1,137	0	0	8,514
Matured Compensated Absences Payable	40,169	0	0	0
Intergovernmental Payable	286,345	0	0	3,668
Unearned Revenue	0	0	0	0
Deposits Held Payable	122,072	0	0	0
Total Liabilities	878,987	73,122	0	230,559
Deferred Inflows of Resources				
Property Taxes	1,392,104	1,974,731	198,269	892,579
Unavailable Revenue	1,471,591	260,665	32,862	166,809
Total Deferred Inflows of Resources	2,863,695	2,235,396	231,131	1,059,388
Fund Balances				
Nonspendable	147,650	0	0	134,344
Restricted	0	1,227,908	291,139	312,660
Committed	0	0	0	0
Assigned	2,345,146	0	0	0
Unassigned	6,771,592	0	0	0
Total Fund Balances	9,264,388	1,227,908	291,139	447,004
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$13,007,070	\$3,536,426	\$522,270	\$1,736,951

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2021*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Funds Balances	\$14,331,480
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$3,946,441	\$13,949,817	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,243,718
0	368,374		
733,158	1,610,130		
0	2,130,795		
6,811	6,811		
70,290	70,290		
767	135,019		
22,138	164,227		
503,493	5,510,550		
0	139,802		
<u>\$5,283,098</u>	<u>\$24,085,815</u>		
\$68,166	\$323,096	Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds:	
165,876	385,838	Delinquent Property Taxes	604,430
11,333	257,204	Intergovernmental	1,039,042
5,927	15,578	Municipal Income Taxes	519,676
0	40,169	Charges for Services	235,263
36,495	326,508	Permissive Sales Tax	<u>48,777</u>
930,562	930,562	Total	2,447,188
0	122,072		
1,218,359	2,401,027		
448,437	4,906,120	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(21,685)
515,261	2,447,188		
963,698	7,353,308	Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	402,188
22,905	304,899		
2,998,923	4,830,630	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
79,213	79,213	General Obligation Bonds	(6,670,000)
0	2,345,146	OPWC Loans Payable	(346,133)
0	6,771,592	Capital Leases Payable	(775,146)
3,101,041	14,331,480	Compensated Absences Payable	(1,415,432)
		Deferred Outflows - Asset Retirement	14,059
		Asset Retirement Obligation	<u>(86,499)</u>
		Total	(9,279,151)
		The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
		Deferred Outflows - Pension	2,682,415
		Net Pension Liability	(14,606,471)
		Net OPEB Asset	291,343
		Deferred Inflows - Pension	(2,292,250)
		Deferred Outflows - OPEB	1,479,368
		Net OPEB Liability	(1,866,032)
		Deferred Inflows - OPEB	<u>(1,653,479)</u>
		Total	<u>(15,965,106)</u>
		<i>Net Position of Governmental Activities</i>	<u><u>\$30,158,632</u></u>
		See accompanying notes to the basic financial statements	
<u>\$5,283,098</u>	<u>\$24,085,815</u>		

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds
Revenues					
Property Taxes	\$1,322,363	\$2,003,851	\$182,201	\$898,196	\$427,339
Municipal Income Taxes	8,739,152	0	0	0	0
Hotel Taxes	0	0	0	0	64,239
Permissive Motor Vehicle Taxes	0	0	0	0	147,447
Intergovernmental	1,489,670	50,404	20,186	319,200	1,643,165
Charges for Services	801,951	0	0	0	89,500
Fees, Licenses and Permits	499,077	0	0	0	93,856
Franchise Taxes	297,956	0	0	0	0
Fines and Forfeitures	165,830	0	0	0	5,865
Interest	10,673	0	0	0	210
Rentals	0	0	0	0	295,612
Contributions and Donations	0	0	0	0	27,645
Other	175,830	0	0	0	5,000
<i>Total Revenues</i>	<u>13,502,502</u>	<u>2,054,255</u>	<u>202,387</u>	<u>1,217,396</u>	<u>2,799,878</u>
Expenditures					
Current:					
General Government	4,359,633	0	2,144	0	25,565
Security of Persons and Property	4,834,163	2,039,076	0	0	883,996
Public Health Services	223,292	0	0	0	0
Transportation	431,479	0	0	274,828	882,460
Community Environment	385,900	0	0	0	2,624
Basic Utility Services	57	0	0	0	0
Leisure Time Activities	814,304	0	0	0	92,183
Capital Outlay	0	0	0	1,656,440	100,492
Debt Service:					
Principal Retirement	9,875	0	1,075,000	23,726	163,852
Interest and Fiscal Charges	0	0	121,418	0	33,953
<i>Total Expenditures</i>	<u>11,058,703</u>	<u>2,039,076</u>	<u>1,198,562</u>	<u>1,954,994</u>	<u>2,185,125</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,443,799</u>	<u>15,179</u>	<u>(996,175)</u>	<u>(737,598)</u>	<u>614,753</u>
Other Financing Sources (Uses)					
OPWC Loan Issued	0	0	0	150,000	0
Transfers In	0	0	795,000	1,882	497,000
Transfers Out	(1,142,000)	0	0	0	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,142,000)</u>	<u>0</u>	<u>795,000</u>	<u>151,882</u>	<u>347,000</u>
<i>Net Change in Fund Balances</i>	1,301,799	15,179	(201,175)	(585,716)	961,753
<i>Fund Balances Beginning of Year</i>	<u>7,962,589</u>	<u>1,212,729</u>	<u>492,314</u>	<u>1,032,720</u>	<u>2,139,288</u>
<i>Fund Balances End of Year</i>	<u>\$9,264,388</u>	<u>\$1,227,908</u>	<u>\$291,139</u>	<u>\$447,004</u>	<u>\$3,101,041</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$1,491,840
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$4,833,950	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
8,739,152	Capital Outlays	1,658,921
64,239	Depreciation	(1,711,416)
147,447	Total	(52,495)
3,522,625	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal.	(272,389)
891,451	Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds:	
592,933	Delinquent Property Taxes	127,399
297,956	Municipal Income Taxes	(469,239)
171,695	Intergovernmental	250,983
10,883	Charges for Services	27,681
295,612	Fees, Licenses and Permits	(2,160)
27,645	Hotel Taxes	(1,796)
180,830	Permissive Sales Tax	20,046
19,776,418	Total	(47,086)
4,387,342	Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,272,453
7,757,235	Other financing sources in the governmental funds, such as the issuance of OPWC loans, increase long-term liabilities in the statement of net position are not reported as revenues in the statement activities.	(150,000)
223,292	Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position:	
1,588,767	Accrued Interest	5,104
388,524	Amortization of Accounting Loss	(67,032)
57	Total	(61,928)
906,487	Amortization of deferred outflows related to the asset retirement obligation is reported as an expense in the statement of activities.	(380)
1,756,932	Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(83,464)
1,272,453	Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows:	
155,371	Pension	1,387,238
18,436,460	OPEB	1,607,966
1,339,958	Total	2,995,204
150,000	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities:	
1,293,882	Pension	(1,303,978)
(1,292,000)	OPEB	(185,989)
151,882	Total	(1,489,967)
1,491,840	<i>Change in Net Position of Governmental Activities</i>	\$3,601,788
\$14,331,480		

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,322,363	\$1,322,363	\$1,322,363	\$0
Municipal Income Taxes	7,376,632	8,349,500	8,384,110	34,610
Intergovernmental	1,273,482	1,441,435	1,466,113	24,678
Charges for Services	706,652	799,849	816,476	16,627
Fees, Licenses and Permits	481,833	545,966	504,088	(41,878)
Franchise Taxes	238,540	270,000	252,907	(17,093)
Fines and Forfeitures	136,520	154,525	165,422	10,897
Interest	9,542	10,800	10,673	(127)
Other	97,148	109,961	177,330	67,369
<i>Total Revenues</i>	<u>11,642,712</u>	<u>13,004,399</u>	<u>13,099,482</u>	<u>95,083</u>
Expenditures				
Current:				
General Government	5,460,319	5,485,230	4,670,195	815,035
Security of Persons and Property	5,772,275	5,778,375	5,024,449	753,926
Public Health Services	225,000	225,000	223,292	1,708
Transportation	739,029	928,029	730,246	197,783
Community Environment	561,891	583,891	388,560	195,331
Basic Utility Services	1,500	1,500	57	1,443
Leisure Time Activities	817,548	915,298	823,784	91,514
<i>Total Expenditures</i>	<u>13,577,562</u>	<u>13,917,323</u>	<u>11,860,583</u>	<u>2,056,740</u>
<i>Excess of Revenues Over Expenditures</i>	(1,934,850)	(912,924)	1,238,899	2,151,823
Other Financing Uses				
Transfers Out	(1,097,000)	(1,142,000)	(1,142,000)	0
<i>Net Change in Fund Balance</i>	(3,031,850)	(2,054,924)	96,899	2,151,823
<i>Fund Balance Beginning of Year</i>	6,088,313	6,088,313	6,088,313	0
Prior Year Encumbrances Appropriated	1,174,580	1,174,580	1,174,580	0
<i>Fund Balance End of Year</i>	<u>\$4,231,043</u>	<u>\$5,207,969</u>	<u>\$7,359,792</u>	<u>\$2,151,823</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Fire and EMS Levy Fund
 For the Year Ended December 31, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,954,711	\$2,003,851	\$2,003,851	\$0
Intergovernmental	49,168	50,404	50,404	0
<i>Total Revenues</i>	2,003,879	2,054,255	2,054,255	0
Expenditures				
Current:				
Security of Persons and Property	2,154,702	2,154,702	1,965,954	188,748
<i>Net Change in Fund Balance</i>	(150,823)	(100,447)	88,301	188,748
<i>Fund Balance Beginning of Year</i>	1,212,729	1,212,729	1,212,729	0
<i>Fund Balance End of Year</i>	<u>\$1,061,906</u>	<u>\$1,112,282</u>	<u>\$1,301,030</u>	<u>\$188,748</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2021

	Sanitary Sewer	Storm Water	Total
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,858,684	\$109,857	\$3,968,541
Accounts Receivable	453,867	0	453,867
Intergovernmental Receivable	85,847	747,126	832,973
Materials and Supplies Inventory	1,957	0	1,957
<i>Total Current Assets</i>	<u>4,400,355</u>	<u>856,983</u>	<u>5,257,338</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	21,265	0	21,265
Net OPEB Asset	18,598	0	18,598
Nondepreciable Capital Assets	3,202,831	0	3,202,831
Depreciable Capital Assets, Net	11,438,738	0	11,438,738
<i>Total Noncurrent Assets</i>	<u>14,681,432</u>	<u>0</u>	<u>14,681,432</u>
<i>Total Assets</i>	<u>19,081,787</u>	<u>856,983</u>	<u>19,938,770</u>
Deferred Outflows of Resources			
Asset Retirement Obligation	514,000	0	514,000
Pension	41,068	0	41,068
OPEB	20,109	0	20,109
<i>Total Deferred Outflows of Resources</i>	<u>575,177</u>	<u>0</u>	<u>575,177</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	26,268	1,343	27,611
Contracts Payable	102,035	640,184	742,219
Retainage Payable	3,463	113,971	117,434
Accrued Wages	6,478	0	6,478
Intergovernmental Payable	3,369	5,970	9,339
Compensated Absences Payable	15,048	0	15,048
OPWC Loan Payable	7,515	0	7,515
<i>Total Current Liabilities</i>	<u>164,176</u>	<u>761,468</u>	<u>925,644</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	16,639	0	16,639
Asset Retirement Obligation Payable	2,570,000	0	2,570,000
OPWC Loan Payable	65,135	31,668	96,803
OWDA Loan Payable	4,736,260	3,296,096	8,032,356
Net Pension Liability	165,964	0	165,964
<i>Total Long-Term Liabilities</i>	<u>7,553,998</u>	<u>3,327,764</u>	<u>10,881,762</u>
<i>Total Liabilities</i>	<u>7,718,174</u>	<u>4,089,232</u>	<u>11,807,406</u>
Deferred Inflows of Resources			
Pension	85,911	0	85,911
OPEB	66,791	0	66,791
<i>Total Inflows Outflows of Resources</i>	<u>152,702</u>	<u>0</u>	<u>152,702</u>
Net Position			
Net Investment in Capital Assets	9,727,161	(4,081,919)	5,645,242
Unrestricted	2,058,927	849,670	2,908,597
<i>Total Net Position</i>	<u>\$11,786,088</u>	<u>(\$3,232,249)</u>	<u>\$8,553,839</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2021*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	\$2,451,690	\$52	\$2,451,742
Tap-In Fees	100	0	100
<i>Total Operating Revenues</i>	<u>2,451,790</u>	<u>52</u>	<u>2,451,842</u>
Operating Expenses			
Personal Services	(7,629)	8,248	619
Contractual Services	2,014,010	2,749,225	4,763,235
Materials and Supplies	47,669	0	47,669
Depreciation	380,555	0	380,555
<i>Total Operating Expenses</i>	<u>2,434,605</u>	<u>2,757,473</u>	<u>5,192,078</u>
<i>Operating Income (Loss)</i>	17,185	(2,757,421)	(2,740,236)
Non-Operating Expenses			
Interest and Fiscal Charges	(97,381)	(2,078)	(99,459)
<i>Income Before Capital Contributions and Transfers</i>	<u>(80,196)</u>	<u>(2,759,499)</u>	<u>(2,839,695)</u>
Capital Contributions	2,276,030	210,249	2,486,279
Transfers Out	(1,882)	0	(1,882)
<i>Change in Net Position</i>	2,193,952	(2,549,250)	(355,298)
<i>Net Position Beginning of Year</i>	<u>9,592,136</u>	<u>(682,999)</u>	<u>8,909,137</u>
<i>Net Position End of Year</i>	<u>\$11,786,088</u>	<u>(\$3,232,249)</u>	<u>\$8,553,839</u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2021

	Sanitary Sewer	Storm Water	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,371,459	\$52	\$2,371,511
Cash Payments to Suppliers for Goods and Services	(1,842,745)	(2,926,428)	(4,769,173)
Cash Payments for Employee Services and Benefits	(245,017)	(8,248)	(253,265)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>283,697</u>	<u>(2,934,624)</u>	<u>(2,650,927)</u>
Cash Flows from Capital and Related Financing Activities			
Capital Contributions	2,276,030	546,951	2,822,981
Acquisition of Capital Assets	(2,556,271)	0	(2,556,271)
OPWC Loans Issued	0	31,668	31,668
OWDA Loans Issued	0	2,405,554	2,405,554
Principal Paid on OPWC Loans	(7,515)	0	(7,515)
Principal Paid on OWDA Loans	(224,451)	(10,454)	(234,905)
Interest Paid on OWDA Loans	(97,381)	(2,078)	(99,459)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(609,588)</u>	<u>2,971,641</u>	<u>2,362,053</u>
Cash Flows from Noncapital Financing Activities			
Transfer Out	(1,882)	0	(1,882)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(327,773)</u>	<u>37,017</u>	<u>(290,756)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,186,457</u>	<u>72,840</u>	<u>4,259,297</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,858,684</u>	<u>\$109,857</u>	<u>\$3,968,541</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$17,185	(\$2,757,421)	(\$2,740,236)
Adjustments:			
Depreciation	380,555	0	380,555
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	2,477	0	2,477
Intergovernmental Receivable	(85,847)	0	(85,847)
Special Assessments Receivable	3,039	0	3,039
Materials and Supplies Inventory	(801)	0	(801)
Deferred Outflows - ARO	128,500	0	128,500
Deferred Outflows - Pension	66,300	0	66,300
Deferred Outflows - OPEB	33,789	0	33,789
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	8,940	(4,160)	4,780
Contracts Payable	102,035	(108,159)	(6,124)
Retainage Payable	3,463	75,789	79,252
Accrued Wages	48	0	48
Compensated Absences Payable	(4,676)	0	(4,676)
Intergovernmental Payable	(20,884)	(140,673)	(161,557)
Net Pension Liability	(889)	0	(889)
Net OPEB Liability	(89,874)	0	(89,874)
Deferred Inflows - Pension	(155,159)	0	(155,159)
Deferred Inflows - OPEB	(104,504)	0	(104,504)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$283,697</u>	<u>(\$2,934,624)</u>	<u>(\$2,650,927)</u>

Non-Cash Capital Transactions

In 2021, the storm water enterprise fund paid for construction projects related to capital assets for the sanitary sewer enterprise fund in the amount of \$2,276,030.

At December 31, 2021, the City had intergovernmental receivables related to OWDA loans issued in the amount of \$732,628 in the storm water fund.

At December 31, 2021, the City had intergovernmental receivables related to capital contributions in the amount of \$14,498 in the storm water fund.

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

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

At December 31, 2020, the City had intergovernmental receivables related to capital contributions in the amount of \$351,200 in the storm water fund.

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2021

Additions	
Fines and Forfeitures for Other Governments	\$151,440
Deletions	
Distributions to Other Governments	<u>151,440</u>
<i>Net Change in Fiduciary Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 1 - Reporting Entity

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

Reporting Entity

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

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

The City participates in four jointly governed organizations and a shared risk pool. These organizations are the Northeast Ohio Public Energy Council, Regional Income Tax Agency (RITA), Lake County Communities Energy Special Improvement District, Lake County Communities Shoreline Special Improvement District and the Northern Ohio Risk Management Association (NORMA). The City is also involved with the Eastlake Port Authority, a related organization. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

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

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (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 arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary fund is a custodial fund. The City's custodial fund accounts for special assessments collected on behalf of the Energy Special Improvement District fund.

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e.,

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from the custodial fund.

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.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, asset

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

retirement obligation and pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to asset retirement obligations is measured at the amount of the corresponding liability. This amount is deferred and amortized over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, permissive sales tax and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

Budgetary Data

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Cash and Cash Equivalents

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

During 2021, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2021 amounted to \$10,673, of which \$5,847 was assigned from other funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

legislation. Restricted assets in the general fund represent money set aside for unclaimed monies and deposits held payables. Restricted assets in the enterprise fund represent amounts held in trust by the OPEB plans for future benefits.

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

Net Position

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Fund Balance

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

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2022’s appropriated budget.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Internal Eliminations

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

Bond Discounts

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Deferred Charge on Refunding

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

Estimates

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

Note 3 – Change in Accounting Principles

Changes in Accounting Principles

For 2021, the City implemented *Implementation Guide No. 2019-1*. This change was incorporated in the City's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Budgetary Basis of Accounting

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

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

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	General	Fire and EMS
GAAP Basis	\$1,301,799	\$15,179
Net Adjustment for Revenue Accruals	(403,020)	0
Net Adjustment for Expenditure Accruals	(1,449,878)	73,122
Encumbrances	647,998	0
Budget Basis	\$96,899	\$88,301

Note 5 - Fund Balance

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

Fund Balances	General	Fire and EMS Levy	General Bond Retirement	Road Improvement	Other Governmental Funds	Total
<i>Nonspendable:</i>						
Prepaid Items	\$134,252	\$0	\$0	\$0	\$767	\$135,019
Materials and Supplies Inventory	7,745	0	0	134,344	22,138	164,227
Unclaimed Monies	5,653	0	0	0	0	5,653
<i>Total Nonspendable</i>	147,650	0	0	134,344	22,905	304,899
<i>Restricted for:</i>						
Road Improvements	0	0	0	312,660	1,666,641	1,979,301
Public Safety	0	0	0	0	65,738	65,738
Fire Operations	0	0	0	0	85,343	85,343
Police and Fire Pension	0	0	0	0	333,620	333,620
Fire and EMS Levy	0	1,227,908	0	0	0	1,227,908
Senior Citizens	0	0	0	0	72,138	72,138
Stadium Maintenance	0	0	0	0	700,136	700,136
Recreation Land Acquisition	0	0	0	0	75,307	75,307
Debt Service Payments	0	0	291,139	0	0	291,139
<i>Total Restricted</i>	0	1,227,908	291,139	312,660	2,998,923	4,830,630
<i>Committed to</i>						
Donations	0	0	0	0	79,213	79,213
<i>Assigned to:</i>						
Purchases on order:						
General Government	297,195	0	0	0	0	297,195
Security of Persons and Property	120,911	0	0	0	0	120,911
Leisure Time Activities	9,187	0	0	0	0	9,187
Community Environment	5,160	0	0	0	0	5,160
Transportation	18,828	0	0	0	0	18,828
2022 Appropriations	1,893,865	0	0	0	0	1,893,865
<i>Total Assigned</i>	2,345,146	0	0	0	0	2,345,146
<i>Unassigned</i>	6,771,592	0	0	0	0	6,771,592
<i>Total Fund Balances</i>	\$9,264,388	\$1,227,908	\$291,139	\$447,004	\$3,101,041	\$14,331,480

Stabilization arrangement In addition to the above fund balance, the governing council adopted a resolution to establish and maintain a revenue stabilization reserve (“rainy day fund”) in the general fund

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

that does not meet the criteria to be classified as restricted or committed. The principal resource for this reserve is excess reserves of the general fund. The revenue will be reserved on an annual basis with a maximum of 20 percent of the annual total general fund expenses being set aside in any one year. Once the City reserve reaches the 20 percent of general fund expenditure threshold, all revenues may be appropriated for current year operations. The reserve monies can only be accessed with the governing council authority. The general fund reserve balance was \$800,000 as of December 31, 2021.

Note 6 - Deposits and Investments

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

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

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

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

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2021, \$935,878 of the City's total bank balance of \$6,076,102 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

At December 31, 2021, the City had \$12,113,254 invested in STAR Ohio with an average maturity of 51.3 days.

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

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

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

Note 7 - Receivables

Receivables at December 31, 2021, consisted primarily of municipal income taxes, property and, permissive motor vehicle taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts (billings for utility service).

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

Special assessments expected to be collected in more than one year amount to \$21,265 in the sanitary sewer enterprise fund.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of the 2020 taxes.

2021 real property taxes are levied after October 1, 2021 on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Lake County allows the payments to be made on February 15 and July 15.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021 was \$12.80 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2021 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate:	
Residential/Agricultural	\$282,132,681
Other Real Estate	95,549,252
Public Utility Personal Property	90,673,284
Total Assessed Values	\$468,355,217

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2021, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2021 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. The City allows a credit of two percent for income tax paid to another municipality up to the total amount owed to the City. The Regional Income Tax Agency administers and collects income taxes for the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month net of collection fees of approximately 3 percent. All income tax received is recorded in the general fund.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Local Government	\$729,263
Gasoline Tax	513,078
Homestead and Rollback	161,597
Auto Registration	65,326
Road Improvements	129,368
City of Willoughby	6,293
VOCA	3,169
Ohio Bureau of Workers Compensation	2,036
Total	\$1,610,130
Business-Type Activities:	
Galalina Storm Sewer Reimbursement	732,628
Lake County Auditor Reimbursement	14,498
Admiral Drive Reimbursement	85,847
Total	\$832,973

Note 8 - Tax Abatements

As of December 31, 2021, the City provides tax abatements through Community Reinvestment Area (CRA) Tax Abatements and the Municipal Income Tax Incentive Program.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established four Community Reinvestment Areas to provide property tax abatements to stimulate redevelopment by improvements and rehabilitation of properties located on Vine Street. Abatements are obtained through application by the property owner meeting a set of established goals outlined in the City of Eastlake Community Reinvestment Area Guidelines. The amount of the abatement is deducted from the recipient's tax bill. In 2021, the values of taxes being abated total \$4,271.

Municipal Income Tax Incentive Program

The City of Eastlake created the Municipal Tax Incentive Program in 2007. The purpose of the program is to maintain Eastlake's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to businesses based on the business' new gross annual payroll. The abatement is administered as a refund based on the business' payroll taxes. The time period in years is based on the business' amount of new gross payroll created. During 2021, the cap on the incentive was 50 percent of the business' 2 percent City payroll tax with an incentive period of no more than 7 years. In 2021, the taxes abated under this program were \$78,643.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 9 - Interfund Transactions

Interfund Transfers

During 2021, the general fund transferred \$645,000 to the general bond retirement debt service fund as debt payments came due and \$497,000 to other governmental funds to provide additional resources for current operations. Other governmental funds transferred \$150,000 to the general bond retirement debt service fund as debt payments came due. The sanitary sewer enterprise fund transferred \$1,882 to the road improvement capital projects fund for debt payments.

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole. Eliminations made in the total column of the entity wide statement of net position related to pension include deferred outflows of resources for the business-type activities related to the sanitary sewer enterprise fund and deferred inflows of resources for the governmental type activities in the amount of \$14,280. Eliminations made in the total column of the entity wide statement of net position related to OPEB include deferred outflows of resources for the business-type activities related to the sanitary sewer enterprise fund and deferred inflows of resources for the governmental type activities in the amount of \$9,970.

Note 10 - Contingencies

Litigation

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

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

Grants

For the period January 1, 2021 to December 31, 2021 the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 11 - Capital Assets

A summary of changes in capital assets during 2021 follows:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$7,792,984	\$159,021	\$0	\$7,952,005
Construction in Progress	2,339,377	1,031,720	(553,464)	2,817,633
<i>Total Nondepreciable Capital Assets</i>	<u>10,132,361</u>	<u>1,190,741</u>	<u>(553,464)</u>	<u>10,769,638</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	18,121,183	32,112	0	18,153,295
Buildings and Improvements	9,986,783	198,748	(26,164)	10,159,367
Machinery and Equipment	5,489,740	184,947	(270,221)	5,404,466
Computer Software	287,197	0	0	287,197
Vehicles	6,158,049	178,660	(1,089,663)	5,247,046
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	29,094,086	427,177	0	29,521,263
<i>Total Depreciable Capital Assets</i>	<u>69,137,038</u>	<u>1,021,644</u>	<u>(1,386,048)</u>	<u>68,772,634</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(6,938,831)	(363,857)	0	(7,302,688)
Buildings and Improvements	(5,891,786)	(219,965)	5,712	(6,106,039)
Machinery and Equipment	(3,440,695)	(303,992)	263,535	(3,481,152)
Vehicles	(2,650,742)	(339,343)	844,412	(2,145,673)
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	(21,778,743)	(484,259)	0	(22,263,002)
<i>Total Accumulated Depreciation</i>	<u>(40,700,797)</u>	<u>(1,711,416)</u>	<u>1,113,659</u>	<u>(41,298,554)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>28,436,241</u>	<u>(689,772)</u>	<u>(272,389)</u>	<u>27,474,080</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$38,568,602</u>	<u>\$500,969</u>	<u>(\$825,853)</u>	<u>\$38,243,718</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$75,229
Security of Persons and Property	313,442
Transportation	562,221
Basic Utility Services	484,259
Leisure Time Activities	276,265
Total	<u>\$1,711,416</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Business-Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	1,118,812	2,556,271	(547,808)	3,127,275
<i>Total Nondepreciable Capital Assets</i>	<u>1,194,368</u>	<u>2,556,271</u>	<u>(547,808)</u>	<u>3,202,831</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	10,230,400	0	0	10,230,400
Machinery and Equipment	1,095,253	0	0	1,095,253
Vehicles	452,461	0	(17,229)	435,232
Infrastructure				
Sewers	9,615,247	547,808	0	10,163,055
<i>Total Depreciable Capital Assets</i>	<u>21,393,361</u>	<u>547,808</u>	<u>(17,229)</u>	<u>21,923,940</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,408,260)	(244,298)	0	(1,652,558)
Machinery and Equipment	(425,023)	(60,157)	0	(485,180)
Vehicles	(326,090)	(14,761)	17,229	(323,622)
Infrastructure				
Sewers	(7,962,503)	(61,339)	0	(8,023,842)
<i>Total Accumulated Depreciation</i>	<u>(10,121,876)</u>	<u>(380,555)</u>	<u>17,229</u>	<u>(10,485,202)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>11,271,485</u>	<u>167,253</u>	<u>0</u>	<u>11,438,738</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u><u>\$12,465,853</u></u>	<u><u>\$2,723,524</u></u>	<u><u>(\$547,808)</u></u>	<u><u>\$14,641,569</u></u>

Note 12 - Risk Management

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

During 2021, the City participated in NORMA (Note 19), an insurance pool, for the following types of insurance:

Type	Coverage
Property	\$51,965,594
Inland Marine	10,000,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella	15,000,000

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

Workers' Compensation

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 13 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

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

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

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

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

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

For 2021, the City’s contractually required contribution was \$384,640 for the traditional plan, \$0 for the combined plan and \$0 for the member-directed plan. Of these amounts, \$45,412 is reported as an intergovernmental payable for the traditional plan.

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
 Total Employer	 19.50 %	 24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$1,025,676 for 2021. Of this amount, \$107,453 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City’s defined benefit pension plans:

	OPERS Traditional Plan	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0186800%	0.1761211%	
Prior Measurement Date	0.0174930%	0.1717945%	
Change in Proportionate Share	0.0011870%	0.0043266%	
 Proportionate Share of the:			
Net Pension Liability	\$2,766,102	\$12,006,333	\$14,772,435
Pension Expense	289,128	948,180	1,237,308

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2021 pension expense for the member-directed defined contribution plan was \$0. The aggregate pension expense for all pension plans was \$1,237,308 for 2021.

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$501,905	\$501,905
Changes of assumptions	0	201,353	201,353
Changes in proportion and differences between City contributions and proportionate share of contributions	194,026	401,603	595,629
City contributions subsequent to the measurement date	384,640	1,025,676	1,410,316
Total Deferred Outflows of Resources	\$578,666	\$2,130,537	\$2,709,203
Deferred Inflows of Resources			
Differences between expected and actual experience	\$115,708	\$467,731	\$583,439
Net difference between projected and actual earnings on pension plan investments	1,078,146	582,387	1,660,533
Changes in proportion and differences between City contributions and proportionate share of contributions	0	119,909	119,909
Total Deferred Inflows of Resources	\$1,193,854	\$1,170,027	\$2,363,881

\$1,410,316 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OP&F	Total
Year Ending December 31:			
2022	(\$316,136)	\$18,583	(\$297,553)
2023	(97,160)	320,202	223,042
2024	(439,489)	(456,310)	(895,799)
2025	(147,043)	2,382	(144,661)
2026	0	49,977	49,977
Total	(\$999,828)	(\$65,166)	(\$1,064,994)

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Actuarial Assumptions – OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented as follows:

	OPERS Traditional Plan
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

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

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

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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of

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return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	100.00 %	5.43 %

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability:			
OPERS Traditional Plan	\$5,276,353	\$2,766,102	\$678,831

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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

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of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented as follows:

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

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The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: Assumptions are geometric.

* levered 2.5x

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 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$16,714,354	\$12,006,333	\$8,066,196

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health

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care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report referenced later 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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 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 \$0 for 2021.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party

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

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). 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.

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

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

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The City's contractually required contribution to OP&F was \$24,070 for 2021. Of this amount, \$2,523 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability (asset) for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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 (asset) was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability (asset) as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) 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:

	OPERS	OP&F	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0173970%	0.1761211%	
Prior Measurement Date	0.0162920%	0.1717945%	
Change in Proportionate Share	0.0011050%	0.0043266%	
			Total
Proportionate Share of the:			
Net OPEB Liability	\$0	\$1,866,032	\$1,866,032
Net OPEB Asset	(\$309,941)	\$0	(\$309,941)
OPEB Expense	(\$1,744,485)	\$185,989	(\$1,558,496)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes of assumptions	\$152,371	\$1,030,881	\$1,183,252
Changes in proportion and differences between City contributions and proportionate share of contributions	112,852	169,333	282,185
City contributions subsequent to the measurement date	0	24,070	24,070
Total Deferred Outflows of Resources	\$265,223	\$1,224,284	\$1,489,507

City of Eastlake, Ohio
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	OPERS	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	\$279,720	\$307,795	\$587,515
Changes of assumptions	502,198	297,480	799,678
Net difference between projected and actual earnings on OPEB plan investments	165,079	69,346	234,425
Changes in proportion and differences between City contributions and proportionate share of contributions	0	88,682	88,682
Total Deferred Inflows of Resources	\$946,997	\$763,303	\$1,710,300

\$24,070 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 or an increase to the net OPEB asset in 2022. 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:	OPERS	OP&F	Total
2022	(\$338,197)	\$87,714	(\$250,483)
2023	(252,389)	104,135	(148,254)
2024	(71,737)	78,246	6,509
2025	(19,451)	91,564	72,113
2026	0	37,710	37,710
Thereafter	0	37,542	37,542
Total	(\$681,774)	\$436,911	(\$244,863)

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. 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:

City of Eastlake, Ohio
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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	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent, initial 3.50 percent, ultimate in 2035
Prior Measurement date	10.5 percent, initial 3.50 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. Postretirement 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. Postretirement 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 allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

City of Eastlake, Ohio
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For the Year Ended December 31, 2021

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB liability (asset) on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.00 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	(\$77,069)	(\$309,941)	(\$501,382)

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset 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 asset calculated using the assumed trend rates, and the expected net OPEB asset 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.

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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 2021 is 8.50 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 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 asset	(\$317,495)	(\$309,941)	(\$301,490)

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.96 percent
Prior measurement date	3.56 percent
Cost of Living Adjustments	2.2 percent simple

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

Discount Rate For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, 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 of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The

City of Eastlake, Ohio
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municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
 Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 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 (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$2,326,835	\$1,866,032	\$1,485,923

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

Note 15 - Compensated Absences

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

City of Eastlake, Ohio
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For the Year Ended December 31, 2021

Note 16 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Governmental Activities:			
<i>General Obligation Bonds:</i>			
2020 Tax Exempt Refunding of 2011 Bonds	1.30 %	\$4,960,000	2027
2020 Taxable Refunding of 2013 Bonds	1.76	2,785,000	2027
<i>OPWC Loans from Direct Borrowings:</i>			
Parkland Drive Road and Sewer	0	24,907	2021
Stevens Boulevard Road and Sewer	0	49,138	2021
East Overlook Road, Storm and Sanitary Sewer	0	26,254	2023
Roberts Road Improvements	0	150,000	2025
Plymouth Road and Sewer	0	58,200	2025
Roberts Road Improvements - Phase 2	0	96,508	2031
Edison and Mondamin Storm Sewer	0	37,646	2032
Willowick Drive	0	88,941	2040
Stevens Boulevard Paving	0	150,000	N/A
<i>Capital Leases:</i>			
Loader	3.30	139,853	2022
Fire Trucks	3.58	1,023,014	2026
Police Tasers	0.00	48,063	2022
Business-Type Activities:			
<i>From Direct Borrowings:</i>			
<i>OPWC Loans:</i>			
Robin/Forest/King Drive Pump Stations	0	50,000	2030
Quentin Road Pump Station	0	100,292	2032
Plymouth Drive Storm Outfall	0	31,668	N/A
<i>OWDA Loans:</i>			
Waverly Relief Sewer	1.66-2.08	4,807,731	N/A
Galalina Storm Sewer	1.12	2,408,995	N/A
Plymouth Drive Storm Sewer	0.92	532,289	N/A

Changes in long-term obligations of the City during 2021 were as follows:

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	Balance 12/31/2020	Increase	Decrease	Balance 12/31/2021	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2020 Tax Exempt Refunding of 2011 Bonds:					
Term	\$4,960,000	\$0	\$710,000	\$4,250,000	\$720,000
2020 Taxable Refunding of 2013 Bonds:					
Term	2,785,000	0	365,000	2,420,000	375,000
<i>Total General Obligation Bonds</i>	<u>7,745,000</u>	<u>0</u>	<u>1,075,000</u>	<u>6,670,000</u>	<u>1,095,000</u>
OPWC Loans from Direct Borrowings:					
East Overlook Road, Storm and Sanitary Sewer	3,282	0	1,312	1,970	1,312
Roberts Road Improvements	30,000	0	7,500	22,500	7,500
Plymouth Road and Sewer	14,550	0	2,910	11,640	2,910
Roberts Road Improvements-Phase 2	50,668	0	4,825	45,843	4,825
Edison and Mondamin Storm Sewer	20,706	0	1,882	18,824	1,882
Willowick Drive	100,653	0	5,297	95,356	5,297
Stevens Boulevard Paving	0	150,000	0	150,000	0
<i>Total OPWC Loans</i>	<u>219,859</u>	<u>150,000</u>	<u>23,726</u>	<u>346,133</u>	<u>23,726</u>
Capital Leases:					
Loader	37,293	0	27,971	9,322	9,322
Fire Trucks	891,830	0	135,881	755,949	140,745
Police Tasers	19,750	0	9,875	9,875	9,875
<i>Total Capital Leases</i>	<u>948,873</u>	<u>0</u>	<u>173,727</u>	<u>775,146</u>	<u>159,942</u>
Other Long-Term Obligations:					
Asset Retirement Obligations	86,499	0	0	86,499	0
Compensated Absences Payable	1,331,968	358,455	274,991	1,415,432	280,801
<i>Total Other Long-Term Obligations</i>	<u>1,418,467</u>	<u>358,455</u>	<u>274,991</u>	<u>1,501,931</u>	<u>280,801</u>
Net Pension Liability:					
OPERS	3,215,578	0	615,440	2,600,138	0
OP&F	11,572,996	433,337	0	12,006,333	0
<i>Total Net Pension Liability</i>	<u>14,788,574</u>	<u>433,337</u>	<u>615,440</u>	<u>14,606,471</u>	<u>0</u>
Net OPEB Liability:					
OPERS	2,092,825	0	2,092,825	0	0
OP&F	1,696,940	169,092	0	1,866,032	0
<i>Total Net OPEB Liability</i>	<u>3,789,765</u>	<u>169,092</u>	<u>2,092,825</u>	<u>1,866,032</u>	<u>0</u>
Total Governmental Activities	<u><u>\$28,910,538</u></u>	<u><u>\$1,110,884</u></u>	<u><u>\$4,255,709</u></u>	<u><u>\$25,765,713</u></u>	<u><u>\$1,559,469</u></u>

City of Eastlake, Ohio
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	Balance 12/31/2020	Increase	Decrease	Balance 12/31/2021	Amounts Due in One Year
Business-Type Activities:					
OPWC Loans from Direct Borrowings:					
Robin/Forest/King Drive Pump Stations	\$22,500	\$0	\$2,500	\$20,000	\$2,500
Quentin Road Pump Station	57,665	0	5,015	52,650	5,015
Plymouth Drive Storm Outfall	11,390	20,278	0	31,668	0
<i>Total OPWC Loans</i>	<u>91,555</u>	<u>20,278</u>	<u>7,515</u>	<u>104,318</u>	<u>7,515</u>
OWDA Loans from Direct Borrowings:					
Waverly Relief Sewer	4,960,711	0	224,451	4,736,260	0
Galalina Storm Sewer	388,159	2,753,464	0	3,141,623	0
Plymouth Drive Storm Outfall	156,249	8,678	10,454	154,473	0
<i>Total OWDA Loans</i>	<u>5,505,119</u>	<u>2,762,142</u>	<u>234,905</u>	<u>8,032,356</u>	<u>0</u>
Other Long-Term Obligations:					
Asset Retirement Obligation	2,570,000	0	0	2,570,000	0
Compensated Absences Payable	36,363	17,196	21,872	31,687	15,048
<i>Total Other Long-Term Obligations</i>	<u>2,606,363</u>	<u>17,196</u>	<u>21,872</u>	<u>2,601,687</u>	<u>15,048</u>
Net Pension Liability:					
OPERS	242,031	0	76,067	165,964	0
Net OPEB Liability:					
OPERS	157,524	0	157,524	0	0
Total Business-Type Activities	<u><u>\$8,602,592</u></u>	<u><u>\$2,799,616</u></u>	<u><u>\$497,883</u></u>	<u><u>\$10,904,325</u></u>	<u><u>\$22,563</u></u>

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

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

Net proceeds of \$4,896,323 (after payment of \$63,677 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2011 tax exempt bonds. As a result, \$4,160,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

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

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The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$4,960,000
2022	\$720,000
2023	740,000
2024	750,000
2025	750,000
2026	765,000
Total Mandatory Sinking	
Fund Payments	3,725,000
Amount Due at Stated Maturity	525,000
Total	\$4,250,000
<i>Stated Maturity</i>	12/1/2027

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

Net proceeds of \$2,741,354 (after payment of \$43,646 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2011 tax exempt bonds. As a result, \$2,500,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

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

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$2,785,000
2022	\$375,000
2023	385,000
2024	405,000
2025	410,000
2026	415,000
Total Mandatory Sinking	
Fund Payments	1,990,000
Amount Due at Stated	
Maturity	430,000
Total	\$2,420,000
<i>Stated Maturity</i>	12/1/2027

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

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$346,133 and business-type activities of \$104,318 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

A line of credit has been established with the OPWC for the Plymouth Drive and Quentin Road storm outfall emergency repair. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2021 is \$31,668.

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

The City's outstanding OWDA loan from direct borrowings of \$8,032,356 related to business-type activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

A line of credit has been established with OWDA in the amount of \$5,034,086 to cover the costs of replacing sanitary sewer lines along Waverly Road. The loan has an interest rates ranging from 1.66 to 2.08 percent and will mature in 2039. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2021 is \$4,736,260.

A line of credit has been established with OWDA in the amount of \$3,460,790 to cover the costs of replacing Galalina storm sewer. The loan has an interest rate of 1.12 percent and will mature in 2042. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2021 is \$3,141,623.

A line of credit has been established with OWDA in the amount of \$228,436 to cover the costs of replacing storm outfalls along Plymouth Drive and Quentin Road. The loan has an interest rate of .92 percent and will mature in 2041. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2021 is \$154,473.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Capital Leases Capital lease obligations will be paid from the fund that maintains custody of the related assets. Capital leases will be paid from the general fund, permissive motor vehicle license special revenue fund, and fire levy capital projects fund.

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

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

The City's overall legal debt margin was \$33,660,702 with an unvoted debt margin of \$10,242,941 at December 31, 2021.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2021, were as follows:

Year	Governmental Activities		Business-Type Activities	
	General Obligation Bonds		From Direct	From Direct
	Principal	Interest	Borrowings	Borrowings
			OPWC Loans	OPWC Loans
2022	\$1,095,000	\$97,842	\$23,726	\$7,515
2023	1,125,000	81,882	23,073	7,514
2024	1,155,000	65,486	22,416	7,514
2025	1,160,000	48,608	14,916	7,515
2026	1,180,000	31,642	12,006	7,515
2027-2031	955,000	14,394	57,615	32,570
2032-2036	0	0	26,488	2,507
2037-2041	0	0	15,893	0
Total	\$6,670,000	\$339,854	\$196,133	\$72,650

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 17 – Capital Leases

In prior years, the City entered into capitalized leases for a loader, fire trucks and police tasers. These leases meet the criteria for a capital lease and have been recorded on the governmental-wide statements. The original amount capitalized for the capital leases and the book value as of December 31, 2021 follows:

	Governmental Activities
Equipment	\$187,916
Vehicles	1,023,014
Leased property, total value	1,210,930
Less: Accumulated Depreciation	(197,891)
Leased property, net of depreciation	\$1,013,039

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2021.

	Governmental Activities
2022	\$187,680
2023	167,808
2024	167,808
2025	167,808
2026	167,808
Total minimum lease payments	858,912
Less: amount representing interest	(83,766)
Present value of minimum lease payments	\$775,146

Note 18 - Jointly Governed Organization

Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and gas. NOPEC is currently comprised of over 200 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide electricity and gas at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 twenty-member NOPEC Board of Directors. In 2021, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio, 44139 or at the website www.nopecinfo.org.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 405 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the City paid RITA \$186,043 for income tax collection services.

Lake County Communities Energy Special Improvement District

The Lake County Communities Energy Special Improvement District (the "District") is a jointly governed organization that is to enhance the value of properties, within the District and improve the environment by developing and assisting in developing the District special energy improvement projects. For 2021, the City did not contribute to the District. For more information, contact National Registered Agents, Inc., 4400 Easton Commons Way, Suite 125, Columbus, Ohio 43219.

Lake County Communities Shoreline Special Improvement District

The Lake County Communities Shoreline Special Improvement District (the "District") is a jointly governed organization that is to enhance the value of properties, within the District and improve the environment by developing and assisting in developing and implementing shoreline improvement projects that abate the erosion of the shoreline. For 2021, the City did not contribute to the District. For more information, contact Kevin Butler, 600 Superior Avenue, East, Suite 2100, Cleveland, Ohio 44114.

Note 19 - Shared Risk Pool

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

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

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

In 2021, the City of Eastlake paid \$187,054 in premiums from the general fund, which represents 8.51 percent of the total premiums paid by all members. Financial information can be obtained by contacting Jeffrey Knoblauch, 1140 Terex Road, Hudson, Ohio 44236.

Note 20 - Related Organization

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

Note 21 – Willoughby-Eastlake Joint Sewer Treatment Facility

In 1955, the City entered into an agreement with the City of Willoughby for the purpose of financing and constructing a joint sewer treatment facility. The agreement has been amended 15 times since. The joint sewer treatment facility includes a sewer plant, outfalls and joint sewers. The sewer plant and improvements were constructed by the City of Willoughby. The outflows were constructed and financed by the City of Eastlake and conveyed to the City of Willoughby upon completion. The joint sewers were constructed by the City of Willoughby and financed jointly by both cities. The City of Willoughby holds legal title to the sewer plant and improvements made to the facility, outflows and joint sewers. The City of Willoughby operates and manages the plant and joint sewers. Each city is responsible for all sewer lines constructed within their corporate limits with connection to the joint sewer facility. The City of Willoughby bills the City of Eastlake on a monthly basis for services provided, maintenance and construction improvements of the joint sewer facilities. The billing is based upon flow measured by meters and includes a contribution for future capital improvements to the joint sewer treatment facility. The agreement has been amended for the City to contribute an amount equal to fifty percent of all costs associated with the capital improvement projects. Although the joint sewer treatment facility is managed by the Willoughby-Eastlake Joint Sewer Advisory Committee appointed by the cities of Willoughby and Eastlake, ultimately the joint sewer treatment facility is part of the City of Willoughby's reporting entity. The City paid \$1,563,555 to the City of Willoughby for the joint sewer treatment facility in 2021 which is accounted for in the City's sewer enterprise fund.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 22 - Encumbrances

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

Governmental Funds:	
General	\$647,998
Road Improvements	507,236
Other Governmental Funds	199,029
<i>Total Governmental Funds</i>	1,354,263
Proprietary Fund:	
Sanitary Sewer	124,454
Storm Water Management	30,715
<i>Total Proprietary Funds</i>	155,169
<i>Total Encumbrances</i>	\$1,509,432

Note 23 – Asset Retirement Obligations

The Governmental Accounting Standard Board’s (GASB) Statement No. 83, Certain Asset Retirement Obligations, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The City has the following AROs:

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$2,570,000 associated with the City’s waste water treatment facilities were estimated by the City engineer. The remaining useful life of these facilities is 12 years.

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

Local City laws and regulation require an “owner” or “operator,” to remove from the ground any concrete swimming pools that are not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the swimming pool is removed, the soil in the ground cavity and excavated material must be tested for contamination. This assets retirement obligations (ARO) of \$18,999 associated with the City’s swimming pool was estimated by the City engineer. The remaining useful life of the swimming pool is 38 years.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 25 – Subsequent Events

On January 27, 2022, the City entered into an agreement for \$700,000 with the Lake County Board of Commissioners to receive funds from the United States Department of Treasury under the American Rescue Plan Act of 2021, for the purpose of lighting improvements at Classic Park, to "aid impacted industries such as tourism, travel and hospitality" under the category "response to the public health emergency or its negative economic impacts".

On April 14, 2022, the City entered into an agreement for \$3,600,000 with the Lake County Board of Commissioners to receive funds from the United States Department of Treasury under the American Rescue Plan Act of 2021, for the purpose of utilizing funds for clubhouse and field renovations at Classic Park, to "aid impacted industries such as tourism, travel and hospitality" under the category "response to the public health emergency or its negative economic impacts".

The City has entered into an agreement for the period January 1, 2022 to December 31, 2024 for \$1,938,322 with the Ohio Department of Development to receive funds from the United States Department of Treasury under the American Rescue Plan Act of 2021, for the purpose of utilizing funds for Galalina and Harbor Area Sanitary Sewer Rehabilitation, to "aid impacted industries such as tourism, travel and hospitality" under the category "response to the public health emergency or its negative economic impacts".

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Required Supplementary Information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's Proportion of the Net Pension Liability	0.0186800%	0.0174930%	0.0168430%	0.0154430%
City's Proportionate Share of the Net Pension Liability	\$2,766,102	\$3,457,609	\$4,612,955	\$2,422,708
City's Covered Payroll	\$2,631,000	\$2,461,214	\$2,274,986	\$2,040,854
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.14%	140.48%	202.77%	118.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%

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

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.0154640%	0.0160150%	0.0194010%	0.0194010%
\$3,511,613	\$2,773,999	\$2,339,977	\$2,287,125
\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,631
175.67%	139.17%	98.38%	90.66%
77.25%	81.08%	86.45%	86.36%

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

	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability	0.0173970%	0.0162920%	0.0157000%	0.0144200%
City's Proportionate Share of the Net OPEB Liability/(Asset)	(\$309,941)	\$2,250,349	\$2,046,910	\$1,565,906
City's Covered Payroll	\$2,631,000	\$2,461,314	\$2,277,236	\$2,553,004
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-11.78%	91.43%	89.89%	61.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2017

0.0124000%

\$1,252,442

\$2,998,508

41.77%

54.04%

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

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.1761211%	0.1717945%	0.1708640%	0.1662910%
City's Proportionate Share of the Net Pension Liability	\$12,006,333	\$11,572,996	\$13,947,018	\$10,206,031
City's Covered Payroll	\$4,224,613	\$3,987,448	\$4,064,518	\$3,321,193
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	284.20%	290.24%	343.14%	307.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%

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

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.1698210%	0.1735800%	0.1820268%	0.1820270%
\$10,756,292	\$11,166,524	\$9,429,747	\$8,865,276
\$3,598,541	\$3,734,429	\$3,566,749	\$3,396,064
298.91%	299.02%	264.38%	261.05%
68.36%	66.77%	71.71%	73.00%

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

	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability	0.1761211%	0.1717945%	0.1708640%	0.1662910%
City's Proportionate Share of the Net OPEB Liability	\$1,866,032	\$1,696,940	\$1,555,978	\$9,421,814
City's Covered Payroll	\$4,224,613	\$3,987,448	\$4,064,518	\$3,321,193
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	44.17%	42.56%	38.28%	283.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.40%	47.08%	46.57%	14.13%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2017

0.1698210%

\$8,061,021

\$3,598,541

224.01%

15.96%

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

	2021	2020	2019	2018
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$384,640	\$368,340	\$344,570	\$318,498
Contributions in Relation to the Contractually Required Contribution	<u>(384,640)</u>	<u>(368,340)</u>	<u>(344,570)</u>	<u>(318,498)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,747,429	\$2,631,000	\$2,461,214	\$2,274,986
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$0	\$0	\$4	\$90
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(4)</u>	<u>(90)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$2,747,429	\$2,631,000	\$2,461,214	\$2,277,236
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Information prior to 2013 is not available.

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

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013
\$265,311	\$239,881	\$239,190	\$285,435	\$327,942
<u>(265,311)</u>	<u>(239,881)</u>	<u>(239,190)</u>	<u>(285,435)</u>	<u>(327,942)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,040,854	\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,631
<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$40,895	\$79,960			
<u>(40,895)</u>	<u>(79,960)</u>			
<u>\$0</u>	<u>\$0</u>			
\$2,553,004	\$2,998,508			
<u>1.60%</u>	<u>2.67%</u>			

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$1,025,676	\$906,426	\$857,583	\$874,338
Contributions in Relation to the Contractually Required Contribution	<u>(1,025,676)</u>	<u>(906,426)</u>	<u>(857,583)</u>	<u>(874,338)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$4,813,873	\$4,224,613	\$3,987,448	\$4,064,518
Pension Contributions as a Percentage of Covered Payroll	<u>21.31%</u>	<u>21.46%</u>	<u>21.51%</u>	<u>21.51%</u>
Net OPEB Liability				
Contractually Required Contribution	\$24,070	\$21,123	\$19,938	\$20,322
Contributions in Relation to the Contractually Required Contribution	<u>(24,070)</u>	<u>(21,123)</u>	<u>(19,938)</u>	<u>(20,322)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.57%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.88%</u>	<u>21.96%</u>	<u>22.01%</u>	<u>22.01%</u>

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

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$712,177	\$772,472	\$797,325	\$761,770	\$612,833	\$527,697
<u>(712,177)</u>	<u>(772,472)</u>	<u>(797,325)</u>	<u>(761,770)</u>	<u>(612,833)</u>	<u>(527,697)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,321,193	\$3,598,541	\$3,734,429	\$3,566,749	\$3,396,064	\$3,542,262
<u>21.44%</u>	<u>21.47%</u>	<u>21.35%</u>	<u>21.36%</u>	<u>18.05%</u>	<u>14.90%</u>
\$16,606	\$17,993	\$18,672	\$17,834	\$122,824	\$239,103
<u>(16,606)</u>	<u>(17,993)</u>	<u>(18,672)</u>	<u>(17,834)</u>	<u>(122,824)</u>	<u>(239,103)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>
<u>21.94%</u>	<u>21.97%</u>	<u>21.85%</u>	<u>21.86%</u>	<u>21.67%</u>	<u>21.65%</u>

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented as follows:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

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

2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2017 use 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.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

Changes in Assumptions – OPERS Pension – Combined Plan

For 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OP&F Pension

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

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of Eastlake, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:	
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

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

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

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

To the Members of the City Council:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 20, 2023, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.



Charles E. Harris & Associates, Inc.
July 20, 2023

OHIO AUDITOR OF STATE KEITH FABER



CITY OF EASTLAKE

LAKE 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 10/10/2023

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