

**CITY OF LORAIN
LORAIN COUNTY, OHIO**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Lorain, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 12, 2020

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SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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INDEPENDENT AUDITOR'S REPORT

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

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the Street Construction Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 25 to the basic financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

August 21, 2020

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**CITY OF LORAIN
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED**

The discussion and analysis of the City of Lorain's ("the City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are:

- The fund balance in the General fund increased by \$1,773,733 in 2019 and ended with a balance of \$7,084,366. This sustained increase in fund balance over the last three years has enabled the City to set aside an additional \$500,000 in the fund balance reserve to bring the reserve balance up to \$750,000.
- The City issued a \$9,155,000 general obligation bond on June 16, 2019 for the purpose of constructing a new service complex on the City's West side. The new facility will include a salt storage facility, a maintenance building and offices for the street department, new fuel dispensing equipment and storage tanks, and a cold storage building for housing equipment.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*.

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Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, public health, community and environment, economic development, and leisure time activities. The business-type activities of the City include two enterprise activities: water works and water pollution control.

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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Proprietary Funds

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

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

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

Fiduciary Funds

The City's only fiduciary funds are agency funds. Agency funds are purely custodial funds used to account for resources held for the benefit of parties outside the City government and do not involve the measurement of results of operation. 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 fiduciary fund financial statement can be found on page 32 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33- 97 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements are the required supplementary information and notes to the required supplementary information related to the net pension liability and net OPEB liability. This information can be found on pages 98-107 of the report.

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Government-Wide Financial Analysis

The Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position at December 31, 2019 as compared to December 31, 2018.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$56,798,814	\$52,980,852	\$48,178,244	\$42,445,586	\$104,977,058	\$95,426,438
Capital Assets, Net	124,791,327	115,990,687	211,360,016	208,254,459	336,151,343	324,245,146
<i>Total Assets</i>	<u>181,590,141</u>	<u>168,971,539</u>	<u>259,538,260</u>	<u>250,700,045</u>	<u>441,128,401</u>	<u>419,671,584</u>
Deferred Outflows of Resources						
Deferral on Refunding	456,429	510,111	-	-	456,429	510,111
Pension	15,498,462	6,717,535	4,289,192	2,145,673	19,787,654	8,863,208
OPEB	3,331,844	3,365,617	588,781	387,252	3,920,625	3,752,869
<i>Total Deferred Outflows of Resources</i>	<u>19,286,735</u>	<u>10,593,263</u>	<u>4,877,973</u>	<u>2,532,925</u>	<u>24,164,708</u>	<u>13,126,188</u>
Liabilities						
Current and Other Liabilities	4,263,701	6,348,110	1,431,883	884,887	5,695,584	7,232,997
Long-Term Liabilities:						
Due Within One Year	9,353,722	9,373,537	8,667,325	8,578,996	18,021,047	17,952,533
Due in More Than One Year						
Net Pension Liability	57,959,557	40,675,157	13,563,882	7,588,444	71,523,439	48,263,601
Net OPEB Liability	12,256,555	35,296,878	6,314,628	5,137,279	18,571,183	40,434,157
Other Amounts	67,259,128	61,193,526	115,909,301	119,556,708	183,168,429	180,750,234
<i>Total Liabilities</i>	<u>151,092,663</u>	<u>152,887,208</u>	<u>145,887,019</u>	<u>141,746,314</u>	<u>296,979,682</u>	<u>294,633,522</u>
Deferred Inflows of Resources						
Property Taxes	4,960,679	4,981,051	-	-	4,960,679	4,981,051
Payments in Lieu of Taxes	1,369,825	1,251,243	-	-	1,369,825	1,251,243
Pension	2,755,125	6,881,254	193,594	1,975,151	2,948,719	8,856,405
OPEB	2,245,954	1,628,001	103,705	548,576	2,349,659	2,176,577
<i>Total Deferred Inflows of Resources</i>	<u>11,331,583</u>	<u>14,741,549</u>	<u>297,299</u>	<u>2,523,727</u>	<u>11,628,882</u>	<u>17,265,276</u>
Net Position						
Net Investment in Capital Assets	50,793,926	52,041,234	88,546,589	83,190,334	139,340,515	135,231,568
Restricted	39,213,532	33,918,042	4,561,345	3,571,258	43,774,877	37,489,300
Unrestricted (Deficit)	<u>(51,554,828)</u>	<u>(74,023,231)</u>	<u>25,123,981</u>	<u>22,201,337</u>	<u>(26,430,847)</u>	<u>(51,821,894)</u>
<i>Total Net Position</i>	<u>38,452,630</u>	<u>\$11,936,045</u>	<u>\$118,231,915</u>	<u>\$108,962,929</u>	<u>\$156,684,545</u>	<u>\$120,898,974</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27." The City has previously adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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

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

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. For the City, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$156,684,545 at December 31, 2019.

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

Total net position increased from 2018 to 2019. The increase in total assets is essentially the result of increases in cash and cash equivalents and capital assets, net. The changes in net pension liability, net OPEB liability, deferred inflows and outflows of resources for pension and OPEB are due to the recording of GASB Statement No. 68 and GASB 75. Total liabilities excluding net pension liability and net OPEB liability increased from 2018 to 2019 by \$949,296 as a result of an increase in other long-term liabilities, which was offset by a decrease in current liabilities due to notes being reported as short term in 2018 and long term in 2019.

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Table 2 shows the changes in net position for the years ended December 31, 2019 and 2018 and corresponds to the Statement of Activities on page 22.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$6,761,584	\$6,783,831	\$37,866,913	\$34,209,104	\$44,628,497	\$40,992,935
Operating Grants and Contributions	7,965,697	11,169,793	0	0	7,965,697	11,169,793
Capital Grants and Contributions	2,966,302	2,277,675	0	0	2,966,302	2,277,675
<i>Total Program Revenues</i>	<u>17,693,583</u>	<u>20,231,299</u>	<u>37,866,913</u>	<u>34,209,104</u>	<u>55,560,496</u>	<u>54,440,403</u>
General Revenues:						
Property Taxes	4,712,552	4,550,685	0	0	4,712,552	4,550,685
Municipal Income Taxes	25,154,687	24,856,006	0	0	25,154,687	24,856,006
Payments in Lieu of Taxes	1,217,406	1,114,533	0	0	1,217,406	1,114,533
Grants and Entitlements not Restricted to Specific Programs	3,506,519	3,374,706	0	0	3,506,519	3,374,706
Franchise Fees	652,286	682,691	0	0	652,286	682,691
Investment Earnings	1,376,998	911,515	0	0	1,376,998	911,515
All Other Revenue	1,416,756	635,621	236,472	155,222	1,653,228	790,843
<i>Total General Revenues</i>	<u>38,037,204</u>	<u>36,125,757</u>	<u>236,472</u>	<u>155,222</u>	<u>38,273,676</u>	<u>36,280,979</u>
Total Revenues	<u>\$55,730,787</u>	<u>\$56,357,056</u>	<u>\$38,103,385</u>	<u>\$34,364,326</u>	<u>\$93,834,172</u>	<u>\$90,721,382</u>
Program Expense:						
General Government	10,169,041	9,825,167	0	0	10,169,041	9,825,167
Security of Persons and Property	2,185,727	25,710,018	0	0	2,185,727	25,710,018
Transportation	6,908,537	6,692,642	0	0	6,908,537	6,692,642
Public Health	327,331	246,802	0	0	327,331	246,802
Community and Environment	3,712,005	5,124,533	0	0	3,712,005	5,124,533
Economic Development	2,630,987	2,171,209	0	0	2,630,987	2,171,209
Leisure Time Activities	838,909	964,832	0	0	838,909	964,832
Interest and Fiscal Charges	2,485,027	2,226,836	0	0	2,485,027	2,226,836
Water Works	0	0	12,617,398	10,839,483	12,617,398	10,839,483
Water Pollution Control	0	0	16,173,639	13,438,381	16,173,639	13,438,381
Total Expenses	<u>29,257,564</u>	<u>52,962,039</u>	<u>28,791,037</u>	<u>24,277,864</u>	<u>58,048,601</u>	<u>77,239,903</u>
Increase (Decrease) in Net Position						
Before Transfers	26,473,223	3,395,017	9,312,348	10,086,462	35,785,571	13,481,479
Transfers	43,362	42,675	(43,362)	(42,675)	0	0
Increase in Net Position	<u>26,516,585</u>	<u>3,437,692</u>	<u>9,268,986</u>	<u>10,043,787</u>	<u>35,785,571</u>	<u>13,481,479</u>
Net Position, January 1	<u>11,936,045</u>	<u>8,498,353</u>	<u>108,962,929</u>	<u>98,919,142</u>	<u>120,898,974</u>	<u>107,417,495</u>
Net Position, December 31	<u>\$38,452,630</u>	<u>\$11,936,045</u>	<u>\$118,231,915</u>	<u>\$108,962,929</u>	<u>\$156,684,545</u>	<u>\$120,898,974</u>

**CITY OF LORAIN
LORAIN COUNTY, OHIO
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Program revenues increased in 2019. This increase is due to mainly the increase in charges for services and capital grants and contributions, which was offset by a decrease in operating grants and contributions. The dominating reason for the rise in charges for services is due to the increase in water and sewer rates charged to customers. The decrease in operating grants and contributions is a result of a decrease in Federal funding realized for various projects within the City. The increase in capital grants and contributions is the result of additional Federal funding for street improvements and equipment for the City's police and fire departments. While program revenues provide considerable assistance in the provision of governmental services, the burden of governmental support is met by general revenues such as municipal income taxes, property taxes, and unrestricted grants and entitlements. General revenues increased by \$1,992,697 from the prior year. The City saw an increase in all areas of general revenues with the only exception being franchise fees which saw a minor reduction.

Governmental Activities

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

In 2012, an additional .25 percent was approved by the citizens of Lorain for the Streets (money collected is in the streets special revenue fund). In 2019, the revenue from municipal income taxes increased \$298,681. The gain encompasses a rise in employer withholding and estimated payments received. The income tax credit in effect for 2019 and future years is 100 percent of the tax paid to another city up to a maximum of 2.00 percent.

The second largest source of revenue in governmental activities, operating grants and contributions, which decreased \$3.2 million from the prior year, is principally due to the fluctuation in activity on the \$15 million US EPA Lower Black River Area of Concern Remediation and Restoration Project grant of approximately \$2.6 million, and the expiration of Federal grants for police and fire services.

The increase of \$688,627 in capital grants and contributions is a direct result of a rise in Federal-Aid Highway Program grant revenue for the Broadway Avenue streetscape project.

Investment earnings and all other revenues increased by \$465,483 and \$781,135, respectively, from 2018 to 2019. Other revenue increases include proceeds from the sale of obsolete equipment, material and supplies, rental income from City owned property, debt service shortfall payments from developers, rebates, and any other source of revenue not otherwise classified.

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

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

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LORAIN COUNTY, OHIO
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Total governmental program expenses for 2019 decreased by \$23.7 million as compared to 2018. This decrease is attributable to the Ohio Police and Fire Pension Fund (OP&F) making a change to its health care model. Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, OP&F management expects that it will be able to provide stipends to eligible participants for the next 15 years. The change in the health care model decreased the security and persons of property expenses by \$23.0 million in 2019.

Community and environment expenses saw the largest decrease and were for environmental conservation projects, and operations that enhance the City's housing stock and business environment including building code enforcement, zoning and issuing permits in 2018 as compared to 2019. Expenditures for community and environment decreased by approximately \$1.4 million due primarily to the variance in expenditures for the US EPA Lower Black River Area of Concern Remediation and Restoration Project in 2018 as compared to 2019. The City paid for these from grants and general revenues.

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

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

General government expenses include the functions of the legislative, executive and judicial branches of the City and include the operations of the auditor, treasurer, engineering and electrical departments.

Business-Type Activities

Utility services for water and water pollution control saw significant growth in charges for services due mainly to an increase in the utility rates. The City closely monitors the utility rate structure to insure it meets its operating needs including debt.

The Cooper Forster Park Road sanitary sewer extension project was completed in 2019. Other projects were continued or undertaken including the South Lorain waterline replacement phase II and III, East Lorain, and West Lorain waterlines projects, a water treatment plant master plan, the Red Hill water transmission main, the Martins Run lift station, the sanitary sewer relining project, and upgrades to the City's wastewater treatment plants.

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LORAIN COUNTY, OHIO
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The City's Funds

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

As of the end of the current year, the City of Lorain's governmental funds reported combined ending fund balances of \$39,119,855 an increase of \$6.2 million in comparison with the prior year. Non-spendable fund balance of \$617,412 includes material and supplies inventory, prepaid expenses, and unclaimed monies. Fund balance in the amount of \$28,529,946 is restricted to indicate that it is not available for new spending because it has already been restricted by parties outside of the City or pursuant to enabling legislation. It is restricted for economic development, inventory held for resale, debt service, police and municipal court operations, and capital projects. Fund balance in the amount of \$4,629,974 is committed to storm sewer maintenance and improvements, contractual obligations, and funds set aside for compensated absences and payroll reserve. Assigned fund balance includes \$1,824,842 for general governmental purchases on order in various departments.

The General Fund is the main operating fund of the City. The increase in fund balance is primarily due to a reduction in expenses for personal services in the fire department resulting from the resources provided from the 1.7 mil fire levy for Fire Department operations. Other factors that assisted in the fund balance increase were an upturn in municipal income tax collections and an increase in the City's earnings on investments.

The Street Construction Special Revenue Fund accounts for the accumulation of resource to provide for the construction, repair, and maintenance of roadways within the City including the equipment and personnel necessary to perform those tasks.

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

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

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LORAIN COUNTY, OHIO
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General Fund Budgeting Highlights

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

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

During the course of 2019, the City amended its General Fund budget numerous times. The actual revenue amount was greater than the final budget. In 2019, the largest amendment of \$226,600 was made to the original budget to account for a grant from the Northeast Ohio Public Energy Council (NOPEC) for the energy efficient replacement of the central fire station roof. Other amendments made include \$78,466 for a portion of a rebate received from the Ohio Bureau of Workers Compensation, and donations totaling \$37,171 received from various entities and individuals for the construction of an all-inclusive playground at Falbo Park. Additional amendments were made for the receipt of additional revenue from interest earnings, the sale of obsolete equipment, real estate taxes, and various other small grants and donations.

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

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

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Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$9,688,731	\$9,571,267	\$1,081,975	\$1,060,557	\$10,770,706	\$10,631,824
Easements	6,670,008	6,670,008	0	0	6,670,008	6,670,008
Construction in Progress	14,837,279	6,339,129	16,718,769	10,011,570	31,556,048	16,350,699
Buildings and Improvements	13,471,964	13,655,400	17,865,076	18,670,705	31,337,040	32,326,105
Machinery and Equipment	11,560,943	12,150,160	9,890,308	9,561,256	21,451,251	21,711,416
Furniture and Fixtures	210,690	228,642	0	0	210,690	228,642
Infrastructure:						
Streets and Sidewalks	68,351,712	67,376,081	0	0	68,351,712	67,376,081
Water Lines	0	0	52,330,063	53,594,756	52,330,063	53,594,756
Sewer Lines	0	0	113,473,825	115,355,615	113,473,825	115,355,615
<i>Total Capital Assets</i>	<u>\$124,791,327</u>	<u>\$115,990,687</u>	<u>\$211,360,016</u>	<u>\$208,254,459</u>	<u>\$336,151,343</u>	<u>\$324,245,146</u>

The most significant increase in governmental capital assets was in construction in progress and infrastructure. Increases in construction in progress include a new fire station on the City's East side, the continuance of the Broadway Avenue streetscape project, and the commencement of construction on the City's new service complex. The service complex will include a 6,000 square foot salt storage facility a 56,000 square foot office and maintenance building, and a 16,000 square foot cold storage building. A major road project that was completed in 2019 was the Baumhart Road reconstruction and resurfacing program. The Harborview storm sewer outfall was also completed in 2019. Construction in progress includes the recognition of various street and other capital projects begun but not yet completed.

Business-type activities saw a substantial addition to construction in progress. The most significant construction in progress additions were for the South Lorain waterline replacement phase II and III, and West Lorain waterlines project, a water treatment plant master plan, the Red Hill water transmission main, and the sanitary sewer relining project. The most significant project completed in 2019 was the Cooper Foster Park Rd. sanitary sewer extension. Other significant projects were continued or undertaken including the South Lorain phase II and III, East Lorain, and West Lorain waterline replacement projects, Martins Run lift station, and improvements to the City's waste water treatment plants.

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

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

Long-Term Obligations

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

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$47,444,672	\$41,311,711	0	\$0	\$47,444,672	\$41,311,711
Special Assessment Bonds	966,127	1,054,909	0	0	966,127	1,054,909
Long Term Note	2,718,009	2,710,584	0	0	2,718,009	2,710,584
OWDA Loans	0	0	121,435,445	124,828,995	121,435,445	124,828,995
Net Pension Liability	57,959,557	40,675,157	13,563,882	7,588,444	71,523,439	48,263,601
Net OPEB Liability	12,256,555	35,296,878	6,314,628	5,137,279	18,571,183	40,434,157
ODOD Loan	441,457	690,602	0	0	441,457	690,602
OPWC Loans	1,843,921	1,974,145	0	0	1,843,921	1,974,145
ODOT Loans	7,859,315	7,018,952	0	0	7,859,315	7,018,952
Installment Loans	5,667,530	6,082,143	0	0	5,667,530	6,082,143
Capital Leases	1,783,591	2,248,195	1,569,904	1,959,857	3,353,495	4,208,052
Pollution Remediation	1,140,066	1,236,800	0	0	1,140,066	1,236,800
Compensated Absences	6,748,162	6,239,022	1,571,277	1,346,852	8,319,439	7,585,874
<i>Total</i>	<u>\$146,828,962</u>	<u>\$146,539,098</u>	<u>\$144,455,136</u>	<u>\$140,861,427</u>	<u>\$291,284,098</u>	<u>\$287,400,525</u>

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

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

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

On June 19, 2019 the City issued \$2,700,000 in a Street Improvement Bond Anticipation Note for the Broadway Avenue Streetscape project at an annual interest rate of 3.0 percent that will mature on June 18, 2020. There are \$637,407 in unspent proceeds as of December 31, 2019.

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

The HUD Section 108 Loans are Community Development loans for the Riverbend Commerce Park infrastructure, expansion of the City's existing business development Revolving Loan Fund and for acquisition of property and professional services for future economic development for the City.

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

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

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

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

During 2019, the City entered into a lease for a vehicle for the building department. In previous years the City entered into a lease for equipment and fleet vehicles for streets, parks, cemetery building department, water and water pollution control. Included in the lease are fleet vehicles consisting of pickup trucks and vans, dump trucks, a mini excavator, a tractor, equipment trailers, an asphalt recycler, diesel pumps, a camera truck, a jet/vactor combination truck, and zero turn mowers. The City also entered into leases for police cruisers, copiers/scanners for various departments, the acquisition of computer hardware and software to upgrade the City's existing general accounting, utilities, and income tax systems, street, electrical, parks, cemetery, general sewer, fire, water, and water pollution control equipment, fleet vehicles, an IP phone system and software. The minimum lease payments required are paid from the General Fund, Streets, Cemetery, Parkland and Police Levy Special Revenue funds, and the Water Works and Water Pollution Control Enterprise funds.

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

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

On June 24, 2019, Moody's Investors Service issued a new credit opinion. The City of Lorain's general obligation limited tax rating remained Baa2, however the outlook was changed from stable to positive. According to the Credit Opinion by Moody's, the Baa2 rating reflects the City's weak demographics and an economic profile that shows high susceptibility to downturns. The passage of the fire levy, which helped the City improve fund balance and liquidity and a moderate debt burden, were the main reasons for the revision of the outlook to positive. In addition, the rating also reflects the City's healthy alternate liquidity to internally support cash flow needs.

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

Economic Factors and Current Financial Issues

In its continuing effort to address economic issues affecting the City, management continues to promote diversification of employment within its boundaries. Although the steel industry remains a component of the City's economy, the diversity being realized has had a stabilizing effect on revenues. In 2019, health care remained steady as Mercy Health and Cleveland Clinic ranked first and third in the top employers in the City. A total of 2,502 employees at both facilities worked during 2019. Lorain City School district ranked second, Camaco, LLC, the largest independent supplier of engineered seat frames to the North American automotive industry, ranked fourth, and Wal-Mart, a retail establishment, ranked fifth in employment within the City. In December, 2019 unemployment rate for the City was 5.9 percent, down from 6.5 percent in December 2018. Meanwhile, the December 2019 unemployment rate for Lorain County was 4.8 percent and the State of Ohio was 4.4 percent (based on the Ohio Job & Family Services, Office of Workforce Development).

The City's 2019 residential/agricultural real estate property values rose modestly over the prior year. In 2019, property tax collections were the General Fund's third largest source of revenue. In 2019, the City collected \$2,193,935 from the property tax collections for the General Fund. This was \$153,764 more than that collected in 2018.

On an annual basis, personnel costs equal approximately 80% of the City's General Fund expenditures. In 2019 a one-percent increase was given to the firefighters, dispatchers and correction officers. The employees covered by the United Steel Workers of America, Local 6621 were awarded a 2% increase. Non-bargaining employees were given a 5.1% increase and the police were given a 3% increase and an additional 12% hourly rate increase. Personnel costs continue to be the General fund's largest and most challenging expenditure. Current employment contracts with the various bargaining units within the City expired December 31, 2019 and will require careful analysis when renegotiated to ensure current revenue streams can continue to meet the requirements for personnel costs.

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LORAIN COUNTY, OHIO
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The City's housing growth continued into 2019. The Villages at Lighthouse Point is a \$62 million-dollar development with an estimated 300 apartments. Phase I and II of the development is now complete with 198 units constructed along with a clubhouse. The 529 acre Martin's Run development remains unchanged. To date 904 homes or condominium units have been built with 273 lots still available for sale. The Cornerstone Farms, a 151 home project which began in late 2017, currently has completed several homes. Phase I is near completion. Construction of roadways in phase II is complete and final plans have been approved. Affordable housing continues to be a priority for the City.

Other projects in the City include the Broadway Avenue Streetscape and the Broadway Hotel. The Broadway Avenue Streetscape project begins at West 10th Street and goes north to West Erie Avenue and will include street improvements, new sidewalks, curbs, lighting, landscaping, signage and handicap ramps. The total cost of the project is estimated at \$3.6 million. The project is currently underway and should be completed by February 2020. The Broadway Hotel project is being undertaken by a private developer with plans to open a 55 room hotel in downtown Lorain that will also include a rooftop and fourth floor event space, restaurant and additional office and retail space. The project will cost an estimated \$10 million is scheduled to open in the spring of 2020. Both of these projects were undertaken in an effort to revitalize the City's downtown area to attract new businesses and to promote tourism in the area.

A new Meijer supercenter retail store is under construction and is expected to open in the summer of 2020. The 155,000 square foot building will feature groceries including a bakery, a fresh meat counter and a deli, a garden center, pharmacy, electronics, toys, sporting goods, household goods, and clothing.

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

Contacting the City's Finance Department

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

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

Karen A. Shawver, Auditor
Karen_Shawver@cityoflorain.org

or

Anita J. Harper, Chief Deputy Auditor
Anita_Harper@cityoflorain.org

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

**CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 28,956,970	\$ 41,511,343	\$ 70,468,313
Cash and Cash Equivalents:			
In Segregated Accounts	109,075	-	109,075
With Fiscal Agents	416,663	191,922	608,585
Materials and Supplies Inventory	1,453,450	672,232	2,125,682
Accounts Receivable	519,305	5,177,745	5,697,050
Accrued Interest Receivable	106,799	-	106,799
Intergovernmental Receivable	3,613,613	23,756	3,637,369
Internal Balances	(500,622)	500,622	-
Prepaid Items	208,891	49,790	258,681
Municipal Income Taxes Receivable	4,097,989	-	4,097,989
Property Taxes Receivable	5,987,698	-	5,987,698
Payments in Lieu of Taxes Receivable	1,369,825	-	1,369,825
Loans Receivable	6,807,875	50,834	6,858,709
Special Assessments Receivable	2,173,618	-	2,173,618
Assets held for Resale	1,477,665	-	1,477,665
Nondepreciable Capital Assets	31,196,018	17,800,744	48,996,762
Depreciable Capital Assets	93,595,309	193,559,272	287,154,581
Total Assets	181,590,141	259,538,260	441,128,401
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	456,429	-	456,429
Pension	15,498,462	4,289,192	19,787,654
OPEB	3,331,844	588,781	3,920,625
Total Deferred Outflows of Resources	19,286,735	4,877,973	24,164,708
LIABILITIES			
Accounts Payable	444,485	269,462	713,947
Contracts Payable	1,016,094	535,336	1,551,430
Accrued Wages and Benefits	1,362,333	465,540	1,827,873
Intergovernmental Payable	444,605	132,032	576,637
Matured Compensated Absences Payable	202,223	-	202,223
Accrued Interest Payable	287,434	-	287,434
Retainage Payable	230,067	29,513	259,580
Claims Payable	276,460	-	276,460
Long-term Liabilities:			
Due within one year	9,353,722	8,667,325	18,021,047
Due in more than one year:			
Net Pension Liability	57,959,557	13,563,882	71,523,439
Net OPEB Liability	12,256,555	6,314,628	18,571,183
Other amounts	67,259,128	115,909,301	183,168,429
Total Liabilities	151,092,663	145,887,019	296,979,682
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	4,960,679	-	4,960,679
Payments in Lieu of Taxes	1,369,825	-	1,369,825
Pension	2,755,125	193,594	2,948,719
OPEB	2,245,954	103,705	2,349,659
Total Deferred Inflows of Resources	11,331,583	297,299	11,628,882
NET POSITION			
Net Investment in Capital Assets	50,793,926	88,546,589	139,340,515
Restricted for:			
Capital Projects	17,816,732	1,286,771	19,103,503
Utility Reserve	-	3,274,574	3,274,574
Debt Service	1,192,141	-	1,192,141
Police	1,298,152	-	1,298,152
Fire	1,281,457	-	1,281,457
Streets	4,170,104	-	4,170,104
Community Development	13,153,232	-	13,153,232
Municipal Courts	147,177	-	147,177
Other Purposes	154,537	-	154,537
Unrestricted	(51,554,828)	25,123,981	(26,430,847)
Total Net Position	\$ 38,452,630	\$ 118,231,915	\$ 156,684,545

See accompanying notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
Security of Persons and Property	\$ 2,185,727	\$ 1,278,142	\$ 30,259	\$ 360,883	\$ (516,443)	\$ -	\$ (516,443)
Public Health	327,331	168,055	-	-	(159,276)	-	(159,276)
Leisure Time Activities	838,909	8,960	57,554	-	(772,395)	-	(772,395)
Community and Environment	3,712,005	914,460	2,625,396	-	(172,149)	-	(172,149)
Transportation	6,908,537	68,259	4,283,507	2,605,419	48,648	-	48,648
General Government	10,169,041	4,139,518	127,455	-	(5,902,068)	-	(5,902,068)
Economic Development	2,630,987	184,190	841,526	-	(1,605,271)	-	(1,605,271)
Interest and Fiscal Charges	2,485,027	-	-	-	(2,485,027)	-	(2,485,027)
<i>Total Governmental activities</i>	<u>29,257,564</u>	<u>6,761,584</u>	<u>7,965,697</u>	<u>2,966,302</u>	<u>(11,563,981)</u>	<u>-</u>	<u>(11,563,981)</u>
Business-type activities:							
Water Works	12,617,398	19,360,391	-	-	-	6,742,993	6,742,993
Water Pollution Control	16,173,639	18,506,522	-	-	-	2,332,883	2,332,883
<i>Total Business-type activities</i>	<u>28,791,037</u>	<u>37,866,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,075,876</u>	<u>9,075,876</u>
<i>Total</i>	<u>\$ 58,048,601</u>	<u>\$ 44,628,497</u>	<u>\$ 7,965,697</u>	<u>\$ 2,966,302</u>	<u>(11,563,981)</u>	<u>9,075,876</u>	<u>(2,488,105)</u>
General Revenues:							
Property Taxes levied for:							
General Purposes					2,144,633	-	2,144,633
Debt Service Purpose					756,615	-	756,615
Police Pension					226,985	-	226,985
Fire Pension					226,985	-	226,985
Fire Levy					1,357,334	-	1,357,334
Municipal Income Taxes levied for:							
General Purposes					20,230,253	-	20,230,253
Streets					2,462,217	-	2,462,217
Police Levy					2,462,217	-	2,462,217
Franchise Fees					652,286	-	652,286
Payments in Lieu of Taxes					1,217,406	-	1,217,406
Grants & Entitlements not restricted to specific programs					3,506,519	-	3,506,519
Investment Income					1,376,998	-	1,376,998
All Other Revenues					1,416,756	236,472	1,653,228
Total General Revenues					<u>38,037,204</u>	<u>236,472</u>	<u>38,273,676</u>
Transfers					43,362	(43,362)	-
Total General Revenues and Transfers					<u>38,080,566</u>	<u>193,110</u>	<u>38,273,676</u>
Change in Net Position					26,516,585	9,268,986	35,785,571
Net Position - Beginning of Year					<u>11,936,045</u>	<u>108,962,929</u>	<u>120,898,974</u>
Net Position - End of Year					<u>\$ 38,452,630</u>	<u>\$ 118,231,915</u>	<u>\$ 156,684,545</u>

See accompanying notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General Fund	Street Construction	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 5,616,495	\$ 1,644,449	\$ 435,002	\$ 10,265,586	\$ 10,851,416	\$ 28,812,948
Cash and Cash Equivalents:						
In Segregated Accounts	109,075	-	-	-	-	109,075
With Fiscal Agents	57,009	357,598	-	-	2,056	416,663
Materials and Supplies Inventory	44,141	224,538	-	-	87,031	355,710
Accrued Interest Receivable	106,799	-	-	-	-	106,799
Accounts Receivable	164,201	-	355,104	-	-	519,305
Interfund Receivable	194,737	-	-	-	38,827	233,564
Intergovernmental Receivable	1,598,209	1,439,761	68,700	-	506,943	3,613,613
Prepaid Items	140,657	-	-	-	64,647	205,304
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	56,398	-	-	-	-	56,398
Municipal Income Taxes Receivable	3,278,391	409,799	-	-	409,799	4,097,989
Property Taxes Receivable	2,802,459	-	968,655	-	2,216,584	5,987,698
Special Assessments Receivable	976,854	-	-	-	1,196,764	2,173,618
Loans Receivable	-	-	-	-	6,807,875	6,807,875
Payments in Lieu of Taxes Receivable	-	-	902,582	253,726	213,517	1,369,825
Assets held for Resale	-	-	-	-	1,477,665	1,477,665
Total Assets	\$ 15,145,425	\$ 4,076,145	\$ 2,730,043	\$ 10,519,312	\$ 23,873,124	\$ 56,344,049
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 232,223	\$ 13,489	\$ -	\$ 4,008	\$ 147,574	\$ 397,294
Accrued Wages and Benefits	990,102	116,527	-	-	235,276	1,341,905
Contracts Payable	47,266	2,970	-	935,020	30,838	1,016,094
Intergovernmental Payable	354,355	30,973	-	-	52,742	438,070
Matured Compensated Absences Payable	189,343	4,060	-	-	8,820	202,223
Retainage Payable	4,630	-	-	225,437	-	230,067
Interfund Payable	73,275	38,803	-	-	149,413	261,491
Claims Payable	4,000	-	-	-	-	4,000
Total Liabilities	1,895,194	206,822	-	1,164,465	624,663	3,891,144
Deferred Inflows of Resources:						
Property Taxes	2,318,456	-	798,599	-	1,843,624	4,960,679
Payments in Lieu of Taxes	-	-	902,582	253,726	213,517	1,369,825
Unavailable Revenue - Delinquent Property Taxes	484,003	-	170,056	-	372,960	1,027,019
Unavailable Revenue - Municipal Income Taxes	1,410,886	176,361	-	-	176,361	1,763,608
Unavailable Revenue - Other	1,952,520	925,220	68,700	-	1,265,479	4,211,919
Total Deferred Inflows of Resources	6,165,865	1,101,581	1,939,937	253,726	3,871,941	13,333,050
Fund Balances:						
Nonspendable	241,196	224,538	-	-	151,678	617,412
Restricted	86,200	2,543,204	790,106	9,101,121	16,009,315	28,529,946
Committed	1,414,447	-	-	-	3,215,527	4,629,974
Assigned	1,824,842	-	-	-	-	1,824,842
Unassigned	3,517,681	-	-	-	-	3,517,681
Total Fund Balances	7,084,366	2,767,742	790,106	9,101,121	19,376,520	39,119,855
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,145,425	\$ 4,076,145	\$ 2,730,043	\$ 10,519,312	\$ 23,873,124	\$ 56,344,049

See accompanying notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Total Governmental Funds Balance \$ 39,119,855

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

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 124,791,327

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

Delinquent property taxes	1,027,019	
Municipal income taxes	1,763,608	
Special assessments	2,173,618	
Intergovernmental	2,038,301	
Total	7,002,546	7,002,546

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (287,434)

Internal Service funds are used by management to charge the costs of certain activities, such as insurance and other services to individual funds. The assets and liabilities of the Internal Service funds are included in Governmental Activities in the Statement of Net Position. 369,642

The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:

Deferred Outflows - Pension	15,498,462	
Deferred Inflows - Pension	(2,755,125)	
Net Pension Liability	(57,959,557)	
Deferred Outflows - OPEB	3,331,844	
Deferred Inflows - OPEB	(2,245,954)	
Net OPEB Liability	(12,256,555)	
Total	(56,386,885)	(56,386,885)

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

General obligation bonds	(47,239,162)	
Special assessment bonds	(965,839)	
Long-term bond anticipation notes	(2,700,000)	
OPWC Loans	(1,843,921)	
State Infrastructure Bank Loans	(7,859,315)	
Other Loans	(6,108,987)	
Unamortized premiums	(327,786)	
Unamortized discounts	103,979	
Deferral on refundings	456,429	
Compensated absences	(6,748,162)	
Capital leases	(1,783,591)	
Pollution Remediation	(1,140,066)	
Total	(76,156,421)	(76,156,421)

Net Position of Governmental Activities \$ 38,452,630

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Street Construction	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 2,193,935	\$ -	\$ 773,795	\$ -	\$ 1,848,233	\$ 4,815,963
Municipal Income Taxes	20,571,471	2,504,869	-	-	2,504,869	25,581,209
Payments in Lieu of Taxes	-	-	827,821	244,385	145,200	1,217,406
Intergovernmental	3,498,431	2,864,696	134,455	2,605,419	4,912,136	14,015,137
Interest	1,288,490	-	-	35,614	52,894	1,376,998
Fees, Licenses, and Permits	1,099,758	24,140	-	-	185,440	1,309,338
Fines and Forfeitures	1,056,909	-	-	-	906,930	1,963,839
Charges for Services	1,050,181	44,119	-	-	2,365,202	3,459,502
Contributions and Donations	11,636	-	-	-	2,000	13,636
Special Assessments	-	-	-	-	86,792	86,792
All Other Revenues	211,673	725,746	355,195	-	137,055	1,429,669
Franchise Fees	652,286	-	-	-	-	652,286
Total Revenues	31,634,770	6,163,570	2,091,266	2,885,418	13,146,751	55,921,775
EXPENDITURES						
Current:						
Security of Persons and Property	18,253,619	-	-	-	3,806,594	22,060,213
Public Health	311,786	-	-	-	-	311,786
Leisure Time Activities	641,649	-	-	-	-	641,649
Community and Environment	912,956	-	-	-	2,689,472	3,602,428
Transportation	-	3,920,245	-	-	876,859	4,797,104
Economic Development	71,034	-	-	-	2,584,931	2,655,965
General Government	8,131,517	-	33,148	-	441,477	8,606,142
Capital Outlay	66,628	-	-	8,454,896	2,505,103	11,026,627
Debt Service:						
Principal Retirement	89,789	260,545	6,584,319	-	1,047,410	7,982,063
Interest and Fiscal Charges	15,022	52,950	1,859,220	-	118,444	2,045,636
Debt Issuance Costs	-	-	201,046	-	4,019	205,065
Total Expenditures	28,494,000	4,233,740	8,677,733	8,454,896	14,074,309	63,934,678
Excess of Revenues (Under) Expenditures	3,140,770	1,929,830	(6,586,467)	(5,569,478)	(927,558)	(8,012,903)
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets	-	-	-	-	123,850	123,850
Inception of Capital Lease	20,325	-	-	-	-	20,325
General Obligation Bonds Issued	-	-	3,155,000	6,000,000	-	9,155,000
Long-term Bond Anticipation Notes Issued	-	-	2,125,000	-	575,000	2,700,000
Loans Issued	-	-	-	2,003,516	-	2,003,516
Premium on Debt Issuance	-	-	119,131	-	7,672	126,803
Transfers In	93,455	50,000	4,155,065	3,000,000	512,552	7,811,072
Transfers Out	(1,480,817)	(1,672,621)	(3,000,000)	-	(1,610,898)	(7,764,336)
Total Other Financing Sources (Uses)	(1,367,037)	(1,622,621)	6,554,196	11,003,516	(391,824)	14,176,230
Net Change in Fund Balances	1,773,733	307,209	(32,271)	5,434,038	(1,319,382)	6,163,327
Fund Balances - Beginning of Year	5,310,633	2,460,533	822,377	3,667,083	20,695,902	32,956,528
Fund Balances - End of Year	\$ 7,084,366	\$ 2,767,742	\$ 790,106	\$ 9,101,121	\$ 19,376,520	\$ 39,119,855

See accompanying notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances-Total Governmental Funds \$ 6,163,327

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

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

Capital Outlay	12,544,804	
Depreciation	(3,581,757)	
Total		8,963,047

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (162,407)

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

Delinquent property taxes	(103,411)	
Municipal income taxes	(426,522)	
Special assessments	13,636	
Intergovernmental	253,246	
Total		(263,051)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of loans, pollution remediation and capital leases. (14,091,948)

Repayment of long term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 8,505,101

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

Pension		3,652,976
OPEB		71,582

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

Pension		(8,030,320)
OPEB		22,317,015

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

Compensated absences	(509,140)	
Accrued interest on bonds	(29,617)	
Amortization of bond premiums and discounts	50,200	
Amortization of loss on refunding	(53,682)	
Total		(542,239)

Internal Service funds are used by management to charge costs to certain activities, such as insurance and other services to individual funds. The net revenue (expense) of Internal Service funds are reported in the Governmental Activities. (66,498)

Change in Net Position of Governmental Activities \$ 26,516,585

See accompanying notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (NON-GAAP BASIS) AND ACTUAL –
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,030,871	\$ 2,182,914	\$ 2,193,935	\$ 11,021
Municipal Income Taxes	20,045,000	20,045,000	20,598,654	553,654
Other Taxes	650,000	650,000	654,725	4,725
Intergovernmental	3,059,414	3,366,379	3,358,477	(7,902)
Interest	450,000	503,107	672,551	169,444
Fees, Licenses and Permits	1,056,550	1,056,550	1,091,694	35,144
Fines and Forfeitures	1,114,250	1,114,250	1,051,638	(62,612)
Charges for Services	1,074,905	1,078,755	1,050,181	(28,574)
Contributions and Donations	-	11,640	11,636	(4)
All Other Revenues	153,036	257,089	242,638	(14,451)
Total Revenues	29,634,026	30,265,684	30,926,129	660,445
Expenditures:				
Current:				
Security of Persons and Property	18,166,978	18,849,921	18,607,208	242,713
Public Health Services	323,469	322,012	317,609	4,403
Leisure Time Activities	537,212	643,004	628,383	14,621
Community Environment	1,010,688	952,054	928,644	23,410
General Government	8,179,039	8,702,426	8,274,403	428,023
Debt Service				
Principal Retirement	38,894	42,919	36,713	6,206
Interest and Fiscal Charges	4,125	4,125	4,125	-
Total Expenditures	28,260,405	29,516,461	28,797,085	719,376
Excess of Revenues Over (Under) Expenditures	1,373,621	749,223	2,129,044	1,379,821
Other Financing Sources (Uses)				
Transfers In	198,231	198,231	502	(197,729)
Transfers Out	(1,565,534)	(1,753,387)	(1,753,203)	184
Total Other Financing Sources (Uses)	(1,367,303)	(1,555,156)	(1,752,701)	(197,545)
Net Change in Fund Balance	6,318	(805,933)	376,343	1,182,276
Fund Balance Beginning of Year	2,029,717	2,029,717	2,029,717	-
Prior Year Encumbrances	333,698	333,698	333,698	-
Fund Balance End of Year	\$ 2,369,733	\$ 1,557,482	\$ 2,739,758	\$ 1,182,276

**CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (NON-GAAP BASIS) AND ACTUAL –
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Municipal Income Tax	2,446,250	2,446,250	2,508,267	62,017
Charges for Services	50,000	50,000	44,119	(5,881)
Licenses, Permits and Fees	21,100	21,100	24,140	3,040
Intergovernmental	2,198,000	2,198,000	2,679,372	481,372
Miscellaneous	567,500	619,345	725,746	106,401
Total Revenues	<u>5,282,850</u>	<u>5,334,695</u>	<u>5,981,644</u>	<u>646,949</u>
Expenditures:				
Current:				
Transportation	3,373,111	4,421,864	3,954,385	467,479
Debt Service:				
Principal Retirement	260,569	260,569	260,545	24
Interest and Fiscal Charges	52,950	52,950	52,950	-
Total Expenditures	<u>3,686,630</u>	<u>4,735,383</u>	<u>4,267,880</u>	<u>467,503</u>
Excess of Revenues Over (Under) Expenditures	<u>1,596,220</u>	<u>599,312</u>	<u>1,713,764</u>	<u>1,114,452</u>
Other Financing Sources (Uses):				
Transfers In	50,000	50,000	50,000	-
Transfers Out	(1,673,082)	(1,673,082)	(1,672,621)	461
Total Other Financing Sources (Uses)	<u>(1,623,082)</u>	<u>(1,623,082)</u>	<u>(1,622,621)</u>	<u>461</u>
Net Change in Fund Balance	(26,862)	(1,023,770)	91,143	1,114,913
Fund Balance Beginning of Year	1,794,134	1,794,134	1,794,134	-
Prior Year Encumbrances Appropriated	35,661	35,661	35,661	-
Fund Balance End of Year	<u>\$1,802,933</u>	<u>\$806,025</u>	<u>\$1,920,938</u>	<u>\$1,114,913</u>

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
ASSETS				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 21,209,699	\$ 18,361,427	\$ 39,571,126	\$ 87,624
Materials and Supplies Inventory	619,974	52,258	672,232	1,097,740
Accounts Receivable	2,589,267	2,588,478	5,177,745	-
Interfund Receivable	40	591	631	104,238
Intergovernmental Receivable	-	23,756	23,756	-
Prepaid Items	39,529	10,261	49,790	3,587
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	529,419	1,410,798	1,940,217	-
With Fiscal Agents	99,255	92,667	191,922	-
Loans Receivable	-	25,273	25,273	-
Total Current Assets	25,087,183	22,565,509	47,652,692	1,293,189
Noncurrent Assets:				
Loans Receivable	-	25,561	25,561	-
Capital Assets:				
Construction in Progress	13,382,449	4,418,295	17,800,744	-
Depreciable Assets, Net of Depreciation	59,267,640	134,291,632	193,559,272	172,500
Total Noncurrent Assets	72,650,089	138,735,488	211,385,577	172,500
Total Assets	97,737,272	161,300,997	259,038,269	1,465,689
DEFERRED OUTFLOWS OF RESOURCES				
Pension	2,062,159	2,227,033	4,289,192	183,958
OPEB	279,468	309,313	588,781	26,079
Total Deferred Outflows of Resources	2,341,627	2,536,346	4,877,973	210,037
LIABILITIES				
Current Liabilities:				
Accounts Payable	108,386	161,076	269,462	47,191
Accrued Wages and Benefits	209,095	256,445	465,540	20,428
Compensated Absences Payable	4,897	115,347	120,244	-
Contracts Payable	98,125	437,211	535,336	-
Retainage Payable	-	29,513	29,513	-
Intergovernmental Payable	60,084	71,948	132,032	6,535
Interfund Payable	11,105	13,472	24,577	52,365
Accrued Interest Payable	-	-	-	14,763
Claims Payable	-	-	-	272,460
General Obligation Bonds Payable	-	-	-	365,000
OWDA Loans Payable	2,563,125	5,578,852	8,141,977	-
Capital Leases Payable	185,824	219,280	405,104	-
Total Current Liabilities	3,240,641	6,883,144	10,123,785	778,742
Noncurrent Liabilities:				
Compensated Absences Payable	541,494	909,539	1,451,033	64,969
General Obligation Bonds Payable	-	-	-	2,220,000
OWDA Loans Payable	46,233,500	67,059,968	113,293,468	-
Capital Leases Payable	534,310	630,490	1,164,800	-
Net Pension Liability	6,438,175	7,125,707	13,563,882	600,796
Net OPEB Liability	2,997,275	3,317,353	6,314,628	279,699
Total Noncurrent Liabilities	56,744,754	79,043,057	135,787,811	3,165,464
Total Liabilities	59,985,395	85,926,201	145,911,596	3,944,206
DEFERRED INFLOWS OF RESOURCES				
Pension	91,716	101,878	193,594	13,103
OPEB	49,224	54,481	103,705	4,593
Total Deferred Inflows of Resources	140,940	156,359	297,299	17,696
NET POSITION				
Net Investment in Capital Assets	23,232,585	65,314,004	88,546,589	172,500
Restricted for:				
Capital Projects	99,255	1,187,516	1,286,771	-
Utility Reserve	529,419	2,745,155	3,274,574	-
Unrestricted	16,091,305	8,508,108	24,599,413	(2,458,676)
Total Net Position	\$ 39,952,564	\$ 77,754,783	117,707,347	\$ (2,286,176)

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

Net position business-type activities \$ 118,231,915

See accompany notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Total</u>	<u>Internal Service Funds</u>
OPERATING REVENUES				
Charges for Services	\$ 19,360,391	\$ 18,506,522	\$ 37,866,913	\$ 9,545,616
Miscellaneous	84,922	151,550	236,472	657
Total Operating Revenues	<u>19,445,313</u>	<u>18,658,072</u>	<u>38,103,385</u>	<u>9,546,273</u>
OPERATING EXPENSES				
Salaries	3,519,492	5,548,733	9,068,225	412,209
Fringe Benefits	2,748,091	2,019,377	4,767,468	319,801
Materials and Supplies	894,001	698,464	1,592,465	771,975
Utilities	486,749	788,643	1,275,392	-
Contractual Services	1,183,405	1,457,528	2,640,933	13,978
Depreciation	1,710,706	3,218,074	4,928,780	6,693
Claims	-	-	-	7,510,689
Capital Outlay	-	-	-	1,500
Other	373,262	405,287	778,549	419
Total Operating Expense	<u>10,915,706</u>	<u>14,136,106</u>	<u>25,051,812</u>	<u>9,037,264</u>
Operating Income	<u>8,529,607</u>	<u>4,521,966</u>	<u>13,051,573</u>	<u>509,009</u>
NONOPERATING (EXPENSES)				
Loss on Sale of Capital Assets	(15,149)	(66,527)	(81,676)	-
Interest and Fiscal Charges	(1,751,973)	(2,052,225)	(3,804,198)	(199,404)
Total Nonoperating (Expenses)	<u>(1,767,122)</u>	<u>(2,118,752)</u>	<u>(3,885,874)</u>	<u>(199,404)</u>
Transfers In	10,000	10,000	20,000	-
Transfers Out	(29,767)	(33,595)	(63,362)	(3,374)
Change in Net Position	<u>6,742,718</u>	<u>2,379,619</u>	<u>9,122,337</u>	<u>306,231</u>
Net Position - Beginning of Year	<u>33,209,846</u>	<u>75,375,164</u>		<u>(2,592,407)</u>
Net Position - End of Year	<u>\$ 39,952,564</u>	<u>\$ 77,754,783</u>		<u>\$ (2,286,176)</u>

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

146,649

Change in net position business-type activities

\$ 9,268,986

See accompany notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Charges for Services	\$ 19,274,108	\$ 18,452,155	\$ 37,726,263	\$ 9,537,482
Other Cash Receipts	84,922	199,754	284,676	657
Cash Payments to Employees for Services and Benefits	(4,912,920)	(6,066,428)	(10,979,348)	(619,845)
Cash Payments for Goods and Services	(2,598,696)	(2,881,532)	(5,480,228)	(947,534)
Cash Payments for Claims	-	-	-	(7,523,151)
Other Cash Payments	(361,300)	(396,042)	(757,342)	(419)
Net Cash Provided by Operating Activities	<u>11,486,114</u>	<u>9,307,907</u>	<u>20,794,021</u>	<u>447,190</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash overdraft position assumed to be financed	-	-	-	28,915
Transfers In	10,000	10,000	20,000	-
Transfers Out	(29,767)	(33,595)	(63,362)	(3,374)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(19,767)</u>	<u>(23,595)</u>	<u>(43,362)</u>	<u>25,541</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from OWDA Loans	4,675,103	387,665	5,062,768	-
Principal Paid on Debt	(3,179,795)	(5,666,476)	(8,846,271)	-
Interest Paid on Debt	(1,751,973)	(2,052,225)	(3,804,198)	(541,225)
Payments for Capital Acquisitions	(5,084,689)	(2,631,055)	(7,715,744)	-
Net Cash Used in Capital and Related Financing Activities	<u>(5,341,354)</u>	<u>(9,962,091)</u>	<u>(15,303,445)</u>	<u>(541,225)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,124,993	(677,779)	5,447,214	(68,494)
Cash and Cash Equivalents - Beginning of Year	<u>15,713,380</u>	<u>20,542,671</u>	<u>36,256,051</u>	<u>156,118</u>
Cash and Cash Equivalents - End of Year	<u>\$ 21,838,373</u>	<u>\$ 19,864,892</u>	<u>\$ 41,703,265</u>	<u>\$ 87,624</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 8,529,607	\$ 4,521,966	\$ 13,051,573	\$ 509,009
Adjustments:				
Depreciation	1,710,706	3,218,074	4,928,780	6,693
(Increase) Decrease in Assets and Deferred Outflows of Resources:				
Accounts Receivable	(86,277)	(81,140)	(167,417)	-
Intergovernmental Receivable	-	26,564	26,564	-
Materials and Supplies Inventory	(23,205)	(769)	(23,974)	(171,426)
Prepaid Items	(28,177)	2,877	(25,300)	27,285
Interfund Receivable	(6)	209	203	(8,134)
Loans Receivable	-	48,204	48,204	-
Deferred Outflows - Pension	(990,090)	(1,153,429)	(2,143,519)	(101,187)
Deferred Outflows - OPEB	(95,657)	(105,872)	(201,529)	(8,926)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:				
Accounts Payable	45,380	34,258	79,638	19,292
Contracts Payable	(16,121)	32,601	16,480	-
Accrued Wages and Benefits	24,729	12,364	37,093	2,463
Compensated Absences Payable	68,439	155,986	224,425	6,436
Intergovernmental Payable	6,883	6,633	13,516	654
Interfund Payable	(456)	3,381	2,925	-
Claims Payable	-	-	-	(47,694)
Net Pension Liability	2,836,276	3,139,162	5,975,438	264,675
Net OPEB Liability	558,836	618,513	1,177,349	52,149
Deferred Inflows - Pension	(843,592)	(937,965)	(1,781,557)	(84,394)
Deferred Inflows - OPEB	(211,161)	(233,710)	(444,871)	(19,705)
Net Cash Provided by Operating Activities	<u>\$ 11,486,114</u>	<u>\$ 9,307,907</u>	<u>\$ 20,794,021</u>	<u>\$ 447,190</u>
Schedule of Noncash Investing, Capital, and Related Financing Activities				
Net Impact of Accruals	\$ (51,874)	\$ (348,395)	\$ (400,269)	\$ -

See accompanying notes to the basic financial statements

**CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2019**

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,260,235</u>
Liabilities	
Deposits Held and Due to Others	<u>\$ 3,260,235</u>

See accompanying notes to the basic financial statements

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

NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government includes the City departments and agencies that provide various services including police and fire protection, planning, zoning, street construction, maintenance and repair, water and sewer services, municipal court services, and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and: (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (3) the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in the Northeast Ohio Areawide Coordinating Agency (NOACA) and the Northeast Ohio Public Energy Council (NOPEC), both jointly governed organizations, the Lorain Port Authority, a related organization, and the Public Entity Risk Consortium (PERC), a shared risk pool. These organizations are presented in Notes 18, 19, and 20 respectively.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The activity of the internal service funds is eliminated to avoid “doubling up” revenues and expenses.

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

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

Fund Accounting

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Fund Accounting (Continued)

Governmental Funds (continued)

The following are the City's major governmental funds:

General Fund - The General Fund is the operating fund of the City and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction Fund - This fund accounts for and reports voted municipal income tax revenues and that portion of State gasoline tax and motor vehicle registration fees restricted for the maintenance and repair of dedicated streets within the City. Included in this fund as a subfund for State highway for that portion of the State gasoline tax, motor vehicle registration fees designated for State highways and street maintenance within the City.

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

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

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

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

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

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

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Fund Accounting (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds, which are used to collect and distribute deposits, inspection fees and bonds for developers, waste collection fees, State fees and fines for entities outside the City and employee flexible benefits deposits.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are presented using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, and intergovernmental grants and entitlements. 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 24. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are explained in Notes 15 and 16.

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

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

Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is the Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of budgetary control is at the departmental level for all funds. Any budgetary modifications at this level may only be made by resolution of the City Council.

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Budgetary Data (Continued)

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

Pooled Cash and Cash Equivalents

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

The General Fund made advances to the Litter Control fund, Habitat Conservation Fund, and Garage Internal Service fund to cover deficit cash balances. These funds have an interfund payable for the amount received from the general fund and the general fund has an interfund receivable for the same amounts on the balance sheet.

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

During 2019, investments were limited to negotiable CDs, Repurchase agreement, Money Market Fund, Commercial Paper, Treasury Notes, U.S. Debt Securities and STAR Ohio. The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2019, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Pooled Cash and Cash Equivalents (Continued)

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2019 amounted to \$1,288,490, of which \$1,014,966 was assigned from other City funds.

Inventory Held for Resale

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

Materials and Supplies Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Deferred Charge on Refunding

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

Bond Premiums and Discounts

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by the law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies. Restricted assets in the water works and water pollution control enterprise funds are for amounts held for operation, maintenance and replacement contingencies per the applicable City ordinance.

Capital Assets

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

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

All capital assets are depreciated except for land, easements, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Capital Assets (Continued)

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

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City's policy limits the accrual of annual vacation time to one year from the employee's anniversary date. Any unused annual vacation is placed in the employee's vacation bank, within certain limits, to be paid upon retirement.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary funds financial statements.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Accrued Liabilities and Long-Term Obligations (Continued)

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

Fund Balance

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

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

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

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Fund Balance (Continued)

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

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

Net Position

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

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

Interfund Activity

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

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

Operating Revenues and Expenses

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Operating Revenues and Expenses (Continued)

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

Estimates

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

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*). The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The City has postponed the implementation of GASB Statement No. 83, 84 and GASB Statement No. 88.

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

Fund Deficits

Fund balances at December 31, 2019, included the following individual fund deficits:

Nonmajor Funds:	Amount
<i>Internal Service Funds:</i>	
Hospitalization	2,811,940
	\$ 2,811,940

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

Legal Compliance

The City had a negative cash fund balances in several funds indicating that revenue from other sources were used to pay obligations contrary to Ohio Revised Code Section 5705.10 (H). The following funds had negative cash balances at December 31, 2019.

<u>Fund</u>	
CDBG Block Grant	\$ 287,384
Habitat Conservation	129,587
Victim of Crim Advocate Grant	8,429
Garage	52,366
Litter Control	12,785

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City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 5: FUND BALANCES

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

Fund Balances	General	Street Construction	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total
<i>Nonspendable</i>						
Prepaid Items	\$ 140,657	\$ -	\$ -	\$ -	\$ 64,647	\$ 205,304
Materials and Supplies Inventory	44,141	224,538	-	-	87,031	355,710
Unclaimed Funds	56,398	-	-	-	-	56,398
<i>Total Nonspendable</i>	<u>241,196</u>	<u>224,538</u>	<u>-</u>	<u>-</u>	<u>151,678</u>	<u>617,412</u>
<i>Restricted for</i>						
Loans Receivable	-	-	-	-	6,807,875	6,807,875
Economic Development Projects	-	-	-	-	4,883,267	4,883,267
Road Improvements	-	2,543,204	-	9,101,121	278,643	11,922,968
Assets Held for Resale	-	-	-	-	1,477,665	1,477,665
Law Enforcement	-	-	-	-	1,304,948	1,304,948
Fire Levy	-	-	-	-	944,658	944,658
Municipal Court Operations	70,409	-	-	-	158,467	228,876
Debt Service Payments	-	-	790,106	-	2,056	792,162
Community Environment Enhancement	-	-	-	-	45,809	45,809
Cemetery Operations	15,791	-	-	-	-	15,791
Habitat Conservation	-	-	-	-	105,927	105,927
<i>Total Restricted</i>	<u>86,200</u>	<u>2,543,204</u>	<u>790,106</u>	<u>9,101,121</u>	<u>16,009,315</u>	<u>28,529,946</u>
<i>Committed to</i>						
Storm Sewer Maintenance and Repair	-	-	-	-	2,917,566	2,917,566
Municipal Court Improvements	-	-	-	-	297,961	297,961
Payroll Reserve	720,978	-	-	-	-	720,978
Compensated Absences Reserve	370,482	-	-	-	-	370,482
Community Environment	8,777	-	-	-	-	8,777
Park Operations	69,675	-	-	-	-	69,675
Safety Services	233,757	-	-	-	-	233,757
Jail Operations	3,548	-	-	-	-	3,548
Economic Development Incentives	7,230	-	-	-	-	7,230
<i>Total Committed</i>	<u>1,414,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,215,527</u>	<u>4,629,974</u>
<i>Assigned to</i>						
Subsequent Year Appropriations	1,712,363	-	-	-	-	1,712,363
Purchases on Order	112,479	-	-	-	-	112,479
<i>Total Assigned</i>	<u>1,824,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,824,842</u>
<i>Unassigned (Deficit)</i>	<u>3,517,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,517,681</u>
Total Fund Balances	<u>\$ 7,084,366</u>	<u>\$ 2,767,742</u>	<u>\$ 790,106</u>	<u>\$ 9,101,121</u>	<u>\$ 19,376,520</u>	<u>\$ 39,119,855</u>

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 6: BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

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

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

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

	General	Street Construction
GAAP Basis	\$ 1,773,733	\$ 307,209
Revenue Accruals	(753,269)	(181,926)
Beginning Unrecorded Cash	112,081	-
Ending Unrecorded Cash	(18,676)	-
Expenditure Accruals	(592)	18,583
Excess of Revenue Over (Under) Expenditures		
Economic Development	88	-
Parkland	45,857	-
Compensated Absences	(125,425)	-
Payroll Reserve	(131,943)	-
Cemetery	2,863	-
Encumbrances (Budget Basis) outstanding at year end	(528,374)	(52,723)
Budget Basis	\$ 376,343	\$ 91,143

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 7: DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Deposits (Continued)

The City may also invest any monies not required to be used for a period of six months or more in the following:

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

Deposits

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

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of the City's financial institutions had enrolled in OPCS as of December 31, 2019.

At year end, the carrying amount of the City's deposits was \$11,664,227, and the bank balance was \$12,570,878. The City's bank balance of \$750,000 was covered by federal depository insurance and \$11,710,351 uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name, and \$110,527 was uninsured and uncollateralized. Two of the three City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

Cash on Hand

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Investments

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

Investments are reported at fair value. As of December 31, 2019, the City had the following investments:

Rating by Standard & Poor's	Level	Investment	Measurement Value	Investment Maturities (in years)			Percentage of Total Investments
				<1	1-3	3-5	
N/A	N/A	Repurchase Agreement	\$ 4,003,501	\$ 4,003,501	\$ -	\$ -	6.38%
N/A	2	Negotiable CDs	2,985,092	-	746,674	2,238,418	4.76%
N/A	N/A	Money Market Fund	968,552	968,552	-	-	1.54%
A-1/P-1	2	Commerical Paper	13,060,734	13,060,734	-	-	20.81%
AA+	2	Treasury Notes	3,799,826	3,799,826	-	-	6.05%
AA+	2	FFCB	2,754,654	2,501,960	-	252,694	4.39%
AA+	2	FHLMC	3,787,948	3,787,948	-	-	6.03%
AA+	2	FNMA	2,575,491	1,629,262	946,229	-	4.10%
AA+	2	FHLB	1,000,030	1,000,030	-	-	1.59%
AAAM	N/A	STAR Ohio	27,838,508	27,838,508	-	-	44.35%
			<u>\$ 62,774,336</u>	<u>\$ 58,590,321</u>	<u>\$ 1,692,903</u>	<u>\$ 2,491,112</u>	<u>100.00%</u>

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 8: RECEIVABLES

Receivables at December 31, 2019, consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, loans, and accounts (billings for utility service).

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

Special assessments expected to be collected in more than one-year amount to \$981,168. At December 31, 2019, the amount of delinquent special assessments was \$1,192,450.

The loans receivable at December 31, 2019, include revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loans are due on various dates with a large portion not due until the related property is sold or the debtor becomes deceased. The loans receivable balance of \$6,807,875 on the basic financial statements is stated net of estimated uncollectible of \$1,311,772 with \$292,784 collectible in one year.

The City's sewer department issued zero percent interest emergency loans to property owners in 2007 to provide some immediate relief to replace property damaged due to a major sewer line collapse. At December 31, 2019, the fund has recorded a loan receivable balance of \$50,834 as a result of these transactions, with \$25,273 collectible in one year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City of Lorain. Property tax revenues received in 2019 for real and public utility property represent the collection of 2018 taxes.

Real property taxes received in 2019 were levied after October 1, 2018, on the assessed values as of January 1, 2018, the lien date. Real property taxes which were levied in 2019 are collected in and intended to finance 2020. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2019 represent the collection of 2018 taxes. Public utility property taxes received in 2019 became a lien on December 31, 2018, were levied after October 1, 2018, and are collected with real property taxes.

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 8: **RECEIVABLES** (Continued)

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

Property Category	Assessed Value
Real Property	\$ 787,721,670
Public Utility Personal Property	83,993,600
Total	\$ 871,715,270

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lorain. The County Auditor periodically remits to the City its portion of the taxes collected.

Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2019, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes. On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Tax

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

Payment in Lieu of Taxes

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 8: **RECEIVABLES** (Continued)

Intergovernmental Receivables

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

<u>Governmental Activities</u>	<u>Amount</u>
Local Government	\$ 1,312,478
Gasoline Tax	1,119,914
Motor Vehicle License Tax	288,901
Homestead and Rollback	277,200
Grants	486,842
Permissive Tax	111,737
Liquor Licenses	16,541
Total Governmental Activities	<u>3,613,613</u>
<u>Business-Type Activities</u>	
Utilities Charges	<u>23,756</u>
Total	<u><u>\$ 3,637,369</u></u>

NOTE 9: **INVENTORY HELD FOR RESALE**

Inventory held for resale represents land purchased and homes purchased and repaired to be resold under the Community Development infill housing and neighborhood stabilization projects. As of December 31, 2019, the City has 104 properties remaining which are being held for resale.

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City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 10: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$9,571,267	\$153,624	(\$36,160)	\$9,688,731
Easements	6,670,008	0	0	6,670,008
Construction in Progress	6,339,129	11,420,151	(2,922,001)	14,837,279
<i>Total Capital Assets, Not Being Depreciated</i>	<u>22,580,404</u>	<u>11,573,775</u>	<u>(2,958,161)</u>	<u>31,196,018</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	23,990,362	266,240	(50,200)	24,206,402
Machinery and Equipment	25,116,284	700,809	(404,037)	25,413,056
Furniture and Fixtures	395,658	0	0	395,658
Infrastructure:				
Streets, Sidewalks,				
Bridges and Storm Sewers	1,061,241,795	2,925,981	0	1,064,167,776
<i>Total Capital Assets, Being Depreciated</i>	<u>1,110,744,099</u>	<u>3,893,030</u>	<u>(454,237)</u>	<u>1,114,182,892</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,334,962)	(430,967)	31,491	(10,734,438)
Machinery and Equipment	(12,966,124)	(1,182,488)	296,499	(13,852,113)
Furniture and Fixtures	(167,016)	(17,952)	0	(184,968)
Infrastructure:				
Streets, Sidewalks,				
Bridges and Storm Sewers	(993,865,714)	(1,950,350)	0	(995,816,064)
<i>Total Accumulated Depreciation</i>	<u>(1,017,333,816)</u>	<u>(3,581,757) *</u>	<u>327,990</u>	<u>(1,020,587,583)</u>
Total Capital Assets, Being Depreciated, Net	<u>93,410,283</u>	<u>311,273</u>	<u>(126,247)</u>	<u>93,595,309</u>
Governmental Activities Capital Assets, Net	<u>\$115,990,687</u>	<u>\$11,885,048</u>	<u>(\$3,084,408)</u>	<u>\$124,791,327</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$833,440
Security of Persons and Property	723,597
Transportation	1,777,103
Public Health	15,317
Community Environment	12,073
Economic Development	86,760
Leisure Time Activities	133,467
Total Depreciation Expense	<u>\$3,581,757</u>

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Business - Type Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$1,060,557	\$21,418	\$0	\$1,081,975
Construction in Progress	10,011,570	7,147,561	(440,362)	16,718,769
<i>Total Capital Assets, Not Being Depreciated</i>	<u>11,072,127</u>	<u>7,168,979</u>	<u>(440,362)</u>	<u>17,800,744</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	53,202,073	50,644	(12,116)	53,240,601
Machinery and Equipment	29,360,287	1,060,852	(330,751)	30,090,388
Infrastructure:				
Water Lines	71,394,994	0	0	71,394,994
Sewer Lines	157,062,561	275,900	0	157,338,461
<i>Total Capital Assets, Being Depreciated</i>	<u>311,019,915</u>	<u>1,387,396</u>	<u>(342,867)</u>	<u>312,064,444</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(34,531,368)	(844,157)	0	(35,375,525)
Machinery and Equipment	(19,799,031)	(662,240)	261,191	(20,200,080)
Infrastructure:				
Water Lines	(17,800,238)	(1,264,693)	0	(19,064,931)
Sewer Lines	(41,706,946)	(2,157,690)	0	(43,864,636)
<i>Total Accumulated Depreciation</i>	<u>(113,837,583)</u>	<u>(4,928,780)</u>	<u>261,191</u>	<u>(118,505,172)</u>
Total Capital Assets, Being Depreciated, Net	<u>197,182,332</u>	<u>(3,541,384)</u>	<u>(81,676)</u>	<u>193,559,272</u>
Business - Type Activities Capital Assets, Net	<u>\$208,254,459</u>	<u>\$3,627,595</u>	<u>(\$522,038)</u>	<u>\$211,360,016</u>

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City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 11: **RISK MANAGEMENT**

Property and Liability

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

<u>Type of Coverage</u>	<u>Limits of Coverage</u>
Property Including Auto Physical Damage	\$ 234,281,000
Liability:	10,000,000
General Liability	
Law Enforcement Liability	
Automobile Liability	
Public Officials Errors & Omissions	
Crime:	
Employee Dishonesty	2,000,000
Depositors Forgery	2,000,000
Computer Fraud	2,000,000
Money & Securities	250,000
Cyber Liability	1,000,000
Boiler & Machinery	100,000,000

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

Workers' Compensation

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Health Insurance Benefits

The City manages the hospital/medical, and prescription drug benefits for its employees on a self-insured basis through the hospitalization self-insurance internal service fund. Rates for 2019 were \$655/single and \$1,512/family per month.

Employees pay \$80 per month for single coverage, \$160 for family + 1 coverage (example: employee and spouse only), and \$205 for family coverage in excess of two individuals. The Plan Administrator for the City determines these rates. Medical Mutual of Ohio, the third party administrator, processes and pays the medical and prescription drug claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$125,000 per employee and an aggregate of \$7,907,184 per year. The \$125,000 specific threshold was exceeded by \$303,991. The City received an invoice credit for the excess. The aggregate was not exceeded.

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

The claims liability of \$272,460 reported in the hospitalization fund at December 31, 2019 was estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include other allocated claim adjustment expenses. Changes in the fund's claims liability amount for 2018 and 2019 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2018	\$317,219	\$7,206,689	\$7,203,754	\$320,154
2019	320,154	7,475,457	7,523,151	272,460

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 12: LONG-TERM OBLIGATIONS

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
2003 Park and Street Improvements (G.O. Portion)	2.00 - 5.00 %	\$ 1,200,500	December 1, 2023
2006 Lighthouse Urban Renewal Phase I	4.10 - 5.00	1,510,000	December 1, 2026
2007 Riverfront Urban Renewal Refunding	4.00 - 4.30	4,970,000	December 1, 2028
2007A Colorado Avenue	4.00 - 4.125	505,000	December 1, 2027
2007A US Route 6	4.00 - 4.125	775,000	December 1, 2022
2007B Heritage Urban Renewal	4.00 - 4.20	1,315,000	December 1, 2028
2010 Health Claims	6.50 - 7.00	5,000,000	December 1, 2025
2011 Street Improvements (G.O. Portion)	2.00 - 5.45	455,920	December 1, 2031
2011 Various Purpose Refunding (G.O. Portion)	3.00 - 4.75	2,074,175	December 1, 2024
2012 Jaeger Road	2.00 - 4.00	5,535,000	December 1, 2032
2012 Various Purpose Refunding	2.00 - 3.30	5,815,000	December 1, 2026
2013 Property Acquisition Bond	2.00 - 4.10	6,885,000	December 1, 2038
2013 Street Improvements Bond	2.00 - 4.00	5,105,000	December 1, 2032
2014 Street Improvements Bond	2.00 - 3.875	5,790,000	December 1, 2034
2015 Riverfront Urban Renewal Phase II & III Refunding	3.00 - 3.625	3,845,000	December 1, 2032
2017 Pellet Terminal Refunding Bond	3.125-4.00	4,440,000	December 1, 2028
2017 Fire Department Improvement Bond	3.00-4.00	1,500,000	December 1, 2026
2017 Erie Avenue Road Improvement Bond	3.00-4.00	915,000	December 1, 2036
2019 Service Complex Bond	3.00-3.125	9,155,000	December 1, 2039
<i>Special Assessment Bonds with Government Commitment:</i>			
2003 Park and Street Improvements (S.A. Portion)	2.00 - 5.00	574,500	December 1, 2023
2009 Street Improvements	5.00 - 7.25	390,000	December 1, 2029
2010 Street Improvements	4.00 - 5.875	245,000	December 1, 2030
2011 Street Improvements	2.00 - 5.45	554,080	December 1, 2031
<i>Long-Term Bond Anticipation Note</i>			
2019 Broadway Streetscape Improvements	3.00	2,700,000	June 18, 2020
<i>Ohio Public Works Commission Loans:</i>			
Oak Point Road Improvements (#CI002)	0.00	405,776	January 1, 2021
Longbrook Bridge Replacement (#CI01D)	0.00	250,000	July 1, 2021
California Avenue (#CI31D)	0.00	483,645	January 1, 2022
2006 Local Roadway Rehab (#CI09J)	0.00	225,000	January 1, 2019
2007 Local Roadway Rehab (#CI13K)	0.00	133,224	January 1, 2019
2008 Local Roadway Rehab (#CI33L)	0.00	447,645	January 1, 2020
2009 Local Roadway Rehab (#CI48M)	0.00	70,314	January 1, 2020
2008 Local Roadway Rehab (#CI11L)	0.00	130,376	July 1, 2023
2010 Local Roadway Rehab (#CI32N)	0.00	577,480	January 1, 2026
2011 Local Roadway Rehab (#CI17N)	0.00	60,329	January 1, 2022
2012 Local Roadway Rehab (#CI12O)	0.00	200,848	January 1, 2027
Washington Avenue Bridge (#CI36O)	0.00	123,154	July 1, 2031
2013 Local Roadway Rehab (#CI24P)	0.00	186,004	January 1, 2028
2014 Local Roadway Rehab (#CI46R)	0.00	296,634	July 1, 2026
2015 Local Roadway Rehab (#CI26T)	0.00	240,418	July 1, 2030
2016 Local Roadway Rehab (#CI41U)	0.00	272,371	January 1, 2029
2017 Local Roadway Rehab (#CI07V)	0.00	180,414	January 1, 2030
2018 Local Roadway Rehab (#CI48W)	0.00	102,626	January 1, 2031

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Ohio Department of Transportation State Infrastructure Bank Loans:</i>			
North Ridge Road Project (#SB090002)	3.00 %	\$ 74,815	January 30, 2019
Local Roadway Rehab and State Route 58 (#SB090007)	3.00	1,200,395	August 26, 2019
Oberlin Avenue Phase I (#SB110003)	3.00	308,998	January 12, 2021
2013 Issue 2 (LRR Rnd 25) (#SB130004)	3.00	425,341	February 8, 2023
2013 Washington & Reid Avenue Rehab (#SB130005)	3.00	1,330,825	February 8, 2023
2013 SR611 (#SB130006)	3.00	577,103	February 8, 2023
2013 Local Roadway (5) (#SB130009)	3.00	1,986,249	July 26, 2028
2015 Local Roadway (12) (#SB160006)	3.00	955,503	November 3, 2022
2016 Local Roadway (7) & SR 57 (#SB160012)	3.00	1,651,250	June 1, 2026
2017 Local Roadway (12) (#SB170010)	3.00	1,415,849	July 1, 2027
2018 Local Roadway (12) (#SB180014)	3.00	1,822,688	September 1, 2025
<i>Installment Loans</i>			
Lorain County Engineer - Tower Boulevard	0.00	503,332	April 30, 2019
Lorain County Engineer - Cooper Foster Park Road	0.00	272,801	September 15, 2020
Lorain County Engineer - Oberlin Avenue Phase I	0.00	220,000	October 13, 2021
Lorain County Engineer - Oberlin Avenue Phase II	0.00	200,000	April 1, 2022
State of Ohio GRF Bond Loan	2.00 - 5.00	7,061,249	November 1, 2034
<i>Ohio Water Development Authority Loans:</i>			
2000 East Erie Waterlines (#2037)	5.50	2,211,916	January 1, 2020
2000 E. 28th St./Pearl Ave. Relief Sewer, Pump Station (#2321)	2.91	1,137,701	July 1, 2020
2001 Colorado Ave./Root Rd. Waterline Replacement (#3188)	6.13	449,287	January 1, 2021
2001 Colorado/Root/E. Erie Waterline Replacement (#3253)	4.38	2,712,348	January 1, 2021
2001 Westside Waterline Replacement (#3284)	4.64	2,425,073	July 1, 2021
2001 Tacoma Avenue Relief Sewer (#2322)	2.81	4,860,364	January 1, 2021
2001 Idaho Avenue SSO Elimination (#3268)	3.66	9,744,494	July 1, 2021
2003 4W Waterline Replacement (Various locations) (#3814)	4.90	3,585,574	July 1, 2034
2004 Kay Drive Retention Basin (#4150)	3.81	2,295,633	July 1, 2024
2004 Amherst Township Relief Sewer (#4151)	3.81	898,208	July 1, 2024
2004 Pearl Road & Tacoma Pump Station (#4156)	3.81	1,282,116	January 1, 2025
2006 East Central Relief Sewer (#4548)	4.59	3,400,652	July 1, 2027
2006 Westside Relief Sewer (#4586)	3.24	22,145,154	July 1, 2028
2007 Brownell Avenue Waterline (#4775)	4.47	770,575	January 1, 2028
2010 Pearl Avenue Water Mains (#5628)	3.84	1,700,936	January 1, 2031
2011 28th Street Waterline (#5863)	4.45	1,749,427	January 1, 2032
2012 Black River Tunnel Phase I (#6166)	2.48	68,074,637	January 1, 2036
2013 Oberlin Avenue Waterline Replacement (#6394)	3.09	3,920,087	January 1, 2034
2013 SR611 Waterline Replacement (#6416)	3.15	3,735,922	January 1, 2034
2013 Washington & Reid Ave. Waterline Replacement (#6461)	3.44	7,924,151	July 1, 2034
2013 Westside Elevated Tank (#6466)	3.29	3,733,655	January 1, 2035
2013 South Lorain Waterline Replacement Phase I (#6542)	4.24	4,581,899	July 1, 2034
2013 Euclid Avenue Waterline Replacement (#6614)	4.12	1,719,793	July 1, 2034
2014 2nd, 4th, 5th, 6th, Hamilton & Reid Waterline Repl (#6716)	3.95	4,256,286	January 1, 2036
2014 E. 31st St. Bridge Waterline Replacement (#6789)	3.31	619,678	January 1, 2035
2015 Elyria Avenue Waterline Replacement (#6917)	2.56	1,447,864	July 1, 2035
2015 South Lorain Waterline Replacement Phase II (#7038)	2.91	5,878,090	July 1, 2036
2015 East Lorain Waterline Replacement Design (#7067)	3.57	156,302	July 1, 2021
2015 Broadway, Skyline, Jaeger Waterline Replacement (#7086)	3.04	3,979,190	January 1, 2037
2016 Crehore Street, Waterline Replacement (#7264)	2.54	767,700	July 1, 2036
2017 WTP Master Plan (#7865)	0.00	323,607	January 1, 2024
2017 Red Hill Transmission Main Design (#7916)	1.34	208,142	July 1, 2023
2018 South Lorain Waterline Replacement Phase III (#7998)	1.45	2,573,872	January 1, 2039
2018 West Lorain Waterline Improvement (#8099)	2.9	1,441,037	July 1, 2039
2019 Martins Run Pump Station (#8276)	0.00	173,000	January 1, 2025
2019 Black River WWTP Mechanical Bar Screen (#8487)	2.09	1,375,376	January 1, 2041

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

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

	Principal Outstanding 12/31/2018	Additions	Deletions	Principal Outstanding 12/31/2019	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2003 Park and Street Improvements (G.O. Portion)	402,421	-	71,016	331,405	77,779
2006 Lighthouse Urban Renewal Phase I	925,000	-	95,000	830,000	100,000
2007 Riverfront Urban Renewal Refunding	3,045,000	-	255,000	2,790,000	260,000
Unamortized Discount	(20,959)	-	(2,230)	(18,729)	
2007A Colorado Avenue	275,000	-	25,000	250,000	25,000
2007A US Route 6	255,000	-	60,000	195,000	65,000
2007B Heritage Urban Renewal	810,000	-	65,000	745,000	70,000
Unamortized Discount	(2,613)	-	(267)	(2,346)	
2010 Health Claims	2,925,000	-	340,000	2,585,000	365,000
2011 Street Improvements (G.O. Portion)	343,070	-	20,313	322,757	20,313
Unamortized Discount	(3,104)	-	(247)	(2,857)	
2011 Various Purpose Refunding (G.O. Portion)	755,000	-	115,000	640,000	120,000
Unamortized Discount	(1,271)	-	(225)	(1,046)	
2012 Jaeger Road	4,175,000	-	240,000	3,935,000	250,000
Unamortized Discount	(13,695)	-	(1,001)	(12,694)	
2012 Various Purpose Refunding	2,900,000	-	365,000	2,535,000	375,000
Unamortized Discount	(973)	-	(127)	(846)	
2013 Property Acquisition Bond	5,905,000	-	210,000	5,695,000	215,000
Unamortized Discount	(41,983)	-	(2,069)	(39,914)	
2013 Street Improvements Bond	3,830,000	-	220,000	3,610,000	225,000
Unamortized Discount	(451)	-	(31)	(420)	
2014 Street Improvements Bond	4,730,000	-	275,000	4,455,000	285,000
Unamortized Discount	(20,682)	-	(1,340)	(19,342)	
2015 Riverfront Urban Renewal Phase II & III Refunding	3,315,000	-	190,000	3,125,000	200,000
Unamortized Premium	9,812	-	887	8,925	-
2017 Pellet Terminal Refunding Bond	4,440,000	-	370,000	4,070,000	385,000
Unamortized Premium	156,282	-	16,674	139,608	
2017 Fire Department Improvements Bond	1,285,000	-	140,000	1,145,000	145,000
Unamortized Premium	62,798	-	8,521	54,277	
2017 Erie Street Road Improvements Bond	860,000	-	35,000	825,000	35,000
Unamortized Premium	13,059	-	752	12,307	
2019 Service Complex Bond	-	9,155,000	-	9,155,000	245,000
Unamortized Premium	-	90,785	2,198	88,587	
<i>Total General Obligation Bonds</i>	<u>41,311,711</u>	<u>9,245,785</u>	<u>3,112,824</u>	<u>47,444,672</u>	<u>3,463,092</u>
<i>Special Assessment Bonds with Government Commitment:</i>					
2003 Park and Street Improvements (S.A. Portion)	192,579	-	33,984	158,595	37,221
2009 Street Improvements	275,000	-	20,000	255,000	20,000
Unamortized Premium	6,697	-	624	6,073	-
2010 Street Improvements	170,000	-	10,000	160,000	10,000
Unamortized Discount	(2,524)	-	(212)	(2,312)	
2011 Street Improvements	416,930	-	24,686	392,244	24,687
Unamortized Discount	(3,773)	-	(300)	(3,473)	
<i>Total Special Assessment Bonds</i>	<u>1,054,909</u>	<u>-</u>	<u>88,782</u>	<u>966,127</u>	<u>91,908</u>
<i>Long-term Bond Anticipation Notes</i>					
2018 Broadway Streetscape Improvements	2,700,000	-	2,700,000	-	-
Unamortized Premium	10,584	-	10,584	-	-
2019 Broadway Streetscape Improvements	-	2,700,000	-	2,700,000	2,700,000
Unamortized Premium	-	36,018	18,009	18,009	-
<i>Total Long-term Bond Anticipation Notes</i>	<u>2,710,584</u>	<u>2,736,018</u>	<u>2,728,593</u>	<u>2,718,009</u>	<u>2,700,000</u>

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding 12/31/2018	Additions	Deletions	Principal Outstanding 12/31/2019	Due Within One Year
Governmental Activities (continued)					
<i>Other Long Term Obligations:</i>					
Net Pension Liability					
OPERS	9,151,502	7,206,250	-	16,357,752	-
OP&F	31,523,655	10,078,150	-	41,601,805	-
<i>Total Net Pension Liability</i>	40,675,157	17,284,400	-	57,959,557	-
Net OPEB Liability					
OPERS	6,195,448	1,419,859	-	7,615,307	-
OP&F	29,101,430	-	24,460,182	4,641,248	-
<i>Total Net OPEB Liability</i>	35,296,878	1,419,859	24,460,182	12,256,555	-
ODOD Urban Redevelopment Loans	690,602	-	249,145	441,457	256,704
OPWC Loans	1,974,145	144,353	274,577	1,843,921	133,512
ODOT State Infrastructure Bank Loans	7,018,952	1,859,163	1,018,800	7,859,315	1,036,918
Installment Loans	6,082,143	-	414,613	5,667,530	369,280
Capital Leases	2,248,195	20,325	484,929	1,783,591	494,964
Pollution Remediation	1,236,800	86,304	183,038	1,140,066	-
Compensated Absences	6,239,022	1,387,616	878,476	6,748,162	807,344
<i>Total Other Long Term Obligations</i>	101,461,894	22,202,020	27,963,760	95,700,154	3,098,722
Total Governmental Activities	146,539,098	34,183,823	33,893,959	146,828,962	9,353,722
Business-Type Activities					
<i>Ohio Water Development Authority Loans:</i>					
East Erie Waterlines	175,442	-	175,442	-	-
E. 28th St. / Pearl Ave. Relief Sewer	109,940	-	72,763	37,177	37,177
Colorado Ave. / Root Rd. Waterline	72,898	-	35,349	37,549	37,549
Colorado / Root / E. Erie Waterline	388,444	-	190,015	198,429	198,429
Westside Waterline Replacement	437,580	-	169,035	268,545	176,969
Tacoma Avenue Relief Sewer	616,840	-	304,117	312,723	312,723
Idaho Avenue SSO Elimination	1,637,433	-	637,214	1,000,219	660,749
4W Waterline Replacement	2,470,681	-	109,638	2,361,043	115,077
Kay Drive Retention Basin	812,058	-	135,391	676,667	140,599
Amherst Township Relief Sewer	317,733	-	52,974	264,759	55,012
Pearl Road & Tacoma Pump Station	490,288	-	74,203	416,085	77,057
East Central Relief Sewer	1,824,568	-	179,962	1,644,606	188,317
Westside Relief Sewer	12,034,138	-	1,124,021	10,910,117	1,160,734
Brownell Avenue Waterline	430,952	-	39,863	391,089	41,664
Pearl Avenue Water Main	1,170,189	-	78,430	1,091,759	81,471
28th Street Waterline	1,302,222	-	75,890	1,226,332	79,304
Black River Tunnel Phase I	59,863,552	-	2,874,749	56,988,803	2,946,485
Oberlin Ave. Waterline Replacement	2,990,352	49,979	55,703	2,984,628	173,336
SR 611 Waterline Replacement	2,815,669	15,705	201,945	2,629,429	208,357
Washington & Reid Waterline Repl	6,580,227	-	327,712	6,252,515	339,082
Westside Elevated Tank	3,094,530	53,347	132,984	3,014,893	158,368
S. Lorain Waterline Repl. Phase I	3,857,484	-	180,414	3,677,070	188,145
Euclid Ave. Waterline Replacement	1,444,982	-	68,226	1,376,756	71,066
<i>Subtotal - Ohio Water Development Authority Loans:</i>	104,938,202	119,031	7,296,040	97,761,193	7,447,670

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding 12/31/2018	Additions	Deletions	Principal Outstanding 12/31/2019	Due Within One Year
Business-Type Activities (continued)					
<i>Ohio Water Development Authority Loans (continued):</i>					
<i>Prior Page Subtotal:</i>	104,938,202	119,031	7,296,040	97,761,193	7,447,670
2nd, 4th, 5th, 6th, Hamilton & Reid Ave. Waterline Replacement	3,809,644	-	160,913	3,648,731	167,332
E. 31st St. Bridge Waterline Repl	524,843	-	25,632	499,211	26,451
Elyria Avenue Waterline Repl	1,244,584	-	61,483	1,183,101	63,067
S. Lorain Waterline Repl Phase II	5,315,191	-	236,793	5,078,398	243,733
East Lorain Waterline Repl Design	132,435	4,292	9,549	127,178	-
South Lorain Waterline Repl Phase III	2,573,872	929,298	168,183	3,334,987	-
Broadway, Skyline, Jaeger Waterline Replacement	3,680,403	-	156,292	3,524,111	161,080
Crehore Street Waterline Replacement	691,551	-	31,830	659,721	32,644
W Lorain Waterline Improvement	1,441,037	3,249,154	100,701	4,589,490	-
WTP Master Plan	323,607	152,227	98,821	377,013	-
Red Hill Transmission Main Design	153,626	221,101	110,081	264,646	-
Martins Run Pump Station	-	144,532	-	144,532	-
Black River WWTP Mechanical Bar Screen	-	243,133	-	243,133	-
<i>Total Ohio Water Development Authority Loans</i>	<u>124,828,995</u>	<u>5,062,768</u>	<u>8,456,318</u>	<u>121,435,445</u>	<u>8,141,977</u>
<i>Other Long Term Obligations:</i>					
Net Pension Liability					
Water - OPERS	3,601,899	2,836,276	-	6,438,175	-
Sewer - OPERS	3,986,545	3,139,162	-	7,125,707	-
<i>Total Net Pension Liability</i>	<u>7,588,444</u>	<u>5,975,438</u>	<u>-</u>	<u>13,563,882</u>	<u>-</u>
Net OPEB Liability					
Water - OPERS	2,438,439	558,836	-	2,997,275	-
Sewer - OPERS	2,698,840	618,513	-	3,317,353	-
<i>Total Net OPEB Liability</i>	<u>5,137,279</u>	<u>1,177,349</u>	<u>-</u>	<u>6,314,628</u>	<u>-</u>
Capital Leases	1,959,857	-	389,953	1,569,904	405,104
Compensated Absences	1,346,852	304,287	79,862	1,571,277	120,244
<i>Total Other Long Term Obligations</i>	<u>16,032,432</u>	<u>7,457,074</u>	<u>469,815</u>	<u>23,019,691</u>	<u>525,348</u>
Total Business-Type Activities	<u>140,861,427</u>	<u>12,519,842</u>	<u>8,926,133</u>	<u>144,455,136</u>	<u>8,667,325</u>

General obligation bonds will be paid from the general obligation bond retirement debt service fund and the hospitalization internal service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The HUD Section 108 and Ohio Department of Development loans for economic development projects are paid from the community development special revenue fund from loan repayment revenues.

In 2007, the City defeased a 2000 Riverfront Urban Renewal General Obligation Bond in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2019, \$2,450,000 of the defeased bonds is still outstanding.

In 2017, the City defeased the Pellet Terminal Improvement General Obligation Bond in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2019, \$3,310,000 of the defeased bonds is still outstanding.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

On July 16, 2019 the City issued \$9,155,000 in General Obligation Refunding and Improvement Bonds for the service complex project at an annual interest rate of 3.0 percent that will mature on December 31, 2039. There are \$7,487,320 in unspent proceeds as of December 31, 2019.

The City has pledged a portion of permissive license tax revenues to repay \$915,000 in general obligation bonds issued in 2017 to finance the reconstruction and repair of local roadways. These bonds are payable solely from the permissive license tax revenue in the permissive license fund and is projected to use approximately 7 percent of the available permissive license tax over the life of the bonds. Total principal and interest remaining on the bonds is \$1,138,956, payable through 2036. Principal and interest payments for the current year were \$68,044 and total permissive license tax revenues were \$1,045,669.

The City has pledged a portion of municipal income tax revenues to repay \$8,825,000 in general obligation bonds issued in 2013 and 2014 to finance the reconstruction and repair of local roadways. These bonds are payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 26 percent of the available municipal income tax over the life of the bonds. Total principal and interest remaining on the bonds is \$8,154,644 payable through 2034. Principal and interest payments for the current year were \$643,563 and total income tax revenues were \$2,508,267.

On June 19, 2019 the City issued \$2,700,000 in a Street Improvement Bond Anticipation Note for the Broadway Avenue Streetscape project at an annual interest rate of 3.0 percent that will mature on June 18, 2020. There are \$637,407 in unspent proceeds as of December 31, 2019.

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

The City has pledged a portion of permissive license tax revenues to repay \$5,887,765 in ODOT State infrastructure bank loans issued in 2016 through 2019 to finance the reconstruction and repair of local roadways. These loans are payable solely from the permissive license tax revenue in the permissive license fund and is projected to use approximately 42 percent of the available permissive license tax over the life of the loans. Total principal and interest remaining on the bonds is \$5,772,919, payable through 2027. Principal and interest payments for the current year were \$440,920 and total permissive license tax revenues were \$1,045,669.

The City has pledged a portion of municipal income tax revenues to repay \$4,319,518 in ODOT State infrastructure bank loans received in 2013 to finance the reconstruction and repair of local roadways. These loans are payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 21 percent of the available municipal income tax over the life of the loan. Total principal and interest remaining on the loan is \$2,834,901, payable through 2028. Principal and interest payments for the current year were \$518,248 and total income tax revenues were \$2,508,267.

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

This loan is payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 20 percent of the available municipal income tax over the life of the loan. Total principal and interest remaining on the loan is \$7,287,292, payable through 2034. Principal and interest payments for the current year were \$497,900 and total income tax revenues were \$2,508,267.

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

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

The cost of the remediation estimated by the consultants is \$949,744 as of 2019 with the potential for additional costs in the future due to price increases. The City expects no recoveries to reduce the liability for the remediation.

The former location of the National Vapor Stove and Manufacturing Company (Stoveworks), which began operations around 1900, was voluntarily identified by the City for environmental assessment due to the nature of the previous land use. The property is owned by the City, a private owner and a local non-profit, and the area of concern consists of 5.25 acres and includes a 33,000 square foot former warehouse building. The City contracted with a certified consultant to perform an assessment of the property which was completed in December 2017. It was determined by the consultant that environmental remediation was necessary due to unacceptable concentrations of asbestos, arsenic, lead and ground water contamination, and the presence of underground storage tanks. The City has undertaken the remediation of the Stoveworks site, including the demolition of the building and removal underground storage tanks in order to comply with the Ohio Environmental Protection Agency's voluntary action plan standards for environmental contamination cleanup and the Ohio State Fire Marshall's underground storage tank corrective action program.

The cost of remediation is estimated to be \$190,322 as of 2019, subject to price increases and other required services not included in the estimate. The City expects no recoveries to reduce the liability for the cost of remediation.

Compensated absences and employer pension contributions have historically been, and will be, paid from the general fund, the community development, streets, Victim of Crime Advocate grant, fire levy, police levy, and municipal court special revenue funds, the general sewer and municipal court improvements capital projects funds, the water works and water pollution control enterprise funds, and the garage and hospitalization internal service funds, the fund from which the employees' salaries are paid. The City pays obligations related to employee compensation and employer pension contributions from the fund benefitting from their service. There is no repayment schedule for the net pension and OPEB liability. See Note 15 and 16 for additional information related to the net pension and net OPEB liability.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

The City has pledged future revenues to repay OWDA loans in the Water Works fund. The debt is payable solely from net revenues and is payable through 2037. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 45 percent of net revenues and less than 24 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$51,555,214. Principal and interest payments for the current year were \$4,611,277, net revenues were \$10,240,313, and total revenues were \$19,445,313.

The City has pledged future revenues to repay OWDA loans in the Water Pollution Control fund. The debt is payable solely from net revenues and is payable through 2036. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 96 percent of net revenues and less than 40 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$86,666,658. Principal and interest payments for the current year were \$7,465,040, net revenues were \$7,740,040, and total revenues were \$18,658,072.

The City's overall legal debt margin was \$60,342,036 at December 31, 2019.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019 are as follows:

Governmental Activities:

Years	General Obligation Bonds		Special Assessment Bonds		ODOD Urban Redevelopment Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$3,463,092	\$1,873,530	\$91,908	\$56,095	\$256,704	\$11,238
2021	3,651,474	1,638,848	93,526	51,198	184,753	2,906
2022	3,772,113	1,498,588	97,887	46,107	0	0
2023	3,845,494	1,350,772	104,506	40,548	0	0
2024	3,929,827	1,198,755	70,173	34,814	0	0
2025-2029	15,457,193	3,889,100	402,804	106,773	0	0
2030-2034	8,574,969	1,626,582	105,035	8,202	0	0
2035-2039	4,545,000	443,743	0	0	0	0
Total	<u>\$47,239,162</u>	<u>\$13,519,918</u>	<u>\$965,839</u>	<u>\$343,737</u>	<u>\$441,457</u>	<u>\$14,144</u>

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

Years	OPWC Loans	ODOT State Infrastructure		Installment Loans		Total Governmental	
	Principal	Bank Loans Principal	Interest	Principal	Interest	Principal	Interest
2020	\$133,512	\$1,036,918	\$173,380	\$369,280	\$196,799	\$5,351,414	\$2,311,042
2021	249,307	1,399,344	195,729	347,000	189,434	5,925,404	2,078,115
2022	216,686	1,418,937	153,769	335,000	180,921	5,840,623	1,879,385
2023	201,578	1,086,749	112,436	325,000	170,943	5,563,327	1,674,699
2024	188,541	950,799	72,084	335,000	160,652	5,474,340	1,466,305
2025-2029	657,283	1,966,568	98,207	1,850,000	614,882	20,333,848	4,708,962
2030-2034	197,014	0	0	2,106,250	237,882	10,983,268	1,872,666
2035-2039	0	0	0	0	0	4,545,000	443,743
Total	<u>\$1,843,921</u>	<u>\$7,859,315</u>	<u>\$805,605</u>	<u>\$5,667,530</u>	<u>\$1,751,513</u>	<u>\$64,017,224</u>	<u>\$16,434,917</u>

Business-Type Activities:

Years	OWDA Loans		Total Business-Type	
	Principal	Interest	Principal	Interest
2020	\$8,141,977	\$3,237,848	\$8,141,977	\$3,237,848
2021	7,356,522	3,000,960	7,356,522	3,000,960
2022	7,139,251	2,789,331	7,139,251	2,789,331
2023	7,359,932	2,577,635	7,359,932	2,577,635
2024	7,472,936	2,359,060	7,472,936	2,359,060
2025-2029	36,478,364	8,461,504	36,478,364	8,461,504
2030-2034	32,734,003	3,313,921	32,734,003	3,313,921
2035-2039	5,671,481	127,148	5,671,481	127,148
Total	<u>\$112,354,466</u>	<u>\$25,867,407</u>	<u>\$112,354,466</u>	<u>\$25,867,407</u>

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

The balances of these loans are as follows:

<u>Enterprise Funds</u>	December 31, 2019	
	<u>Principal Outstanding</u>	<u>Amount Financed</u>
<i>Water Works:</i>		
East Lorain Waterline Replacement Design	\$127,178	\$204,994
South Lorain Waterline Replacement Phase III Design	3,334,987	3,871,924
West Lorain Waterline Improvement	4,589,490	5,407,349
Water Treatment Plant Master Plan	377,013	494,104
Red Hill Transmission Main Design	264,646	561,136
Martins Run Pump Station	144,532	173,000
Black River WWTP Mechanical Bar Screen	243,133	1,375,376
Total Loans not Finalized	<u>\$9,080,979</u>	<u>\$12,087,883</u>

NOTE 13: **CAPITAL LEASES**

During 2019, the City entered into a lease for a vehicle for the building department. In previous years the City entered into a lease for equipment and fleet vehicles for streets, parks, cemetery building department, water and water pollution control. Included in the lease are fleet vehicles consisting of pickup trucks and vans, dump trucks, a mini excavator, a tractor, equipment trailers, an asphalt recycler, diesel pumps, a camera truck, a jet/vactor combination truck, and zero turn mowers. The City also entered into leases for police cruisers, copiers/scanners for various departments, the acquisition of computer hardware and software to upgrade the City's existing general accounting, utilities, and income tax systems, street, electrical, parks, cemetery, general sewer, fire, water, and water pollution control equipment, fleet vehicles, an IP phone system and software. The City's lease obligations meet the criteria of a capital lease. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

As part of the agreement for the 2018 lease for streets, parks, cemetery, building department, water, and water pollution control equipment, Fifth Third Bank, the lessor, deposited \$3,794,021 in an escrow account in 2018 so that the City could obtain the equipment from various vendors. As of December 31, 2019, the balance of escrow account in the amount of \$608,585 will be paid to the vendors in 2020 at the direction of the City upon receipt of the equipment.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 13: **CAPITAL LEASES** (Continued)

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

	Governmental Activities	Business-Type Activities
	<u> </u>	<u> </u>
<i>Capital Assets, Being Depreciated:</i>		
Machinery and Equipment	\$10,225,668	\$4,929,941
Less Accumulated Depreciation:		
Machinery and Equipment	(4,342,207)	(1,184,823)
<i>Capital Assets, Net</i>	<u>\$5,883,461</u>	<u>\$3,745,118</u>

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

Year Ending December 31,	Governmental Activities	Business-Type Activities
<u> </u>	<u> </u>	<u> </u>
2020	\$ 560,642	\$ 466,046
2021	544,900	463,725
2022	541,834	463,725
2023	273,654	309,150
2024	1,384	0
Total Minimum Lease Payments	<u>1,922,414</u>	<u>1,702,646</u>
Less: Amount Representing Interest	<u>(138,823)</u>	<u>(132,742)</u>
Present Value of Minimum Lease Payments	<u>\$1,783,591</u>	<u>\$1,569,904</u>

NOTE 14: **COMPENSATED ABSENCES**

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 15: **DEFINED BENEFIT PENSION PLAN**

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

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

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

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 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contributions was \$2,205,594 for 2019. Of this amount, \$196,405 is reported as an intergovernmental payable.

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

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 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 %

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$2,447,208 for 2019. Of this amount, \$262,244 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.106705%	0.276037%	0.237591%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.109251%</u>	<u>0.273339%</u>	<u>0.236322%</u>	
Change in Proportionate Share	<u>0.002546%</u>	<u>-0.0026980%</u>	<u>-0.0012688%</u>	
Proportionate Share of the Net Pension Liability	\$ 29,921,634	\$ 22,311,685	\$ 19,290,120	\$ 71,523,439
Pension Expense	\$ 6,119,573	\$ 2,808,571	\$ 2,152,364	\$ 11,080,508

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

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

	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 4,061,205	\$ 2,748,780	\$ 2,376,529	\$ 9,186,514
Differences between expected and actual experience	1,381	916,699	792,555	1,710,635
Changes of assumptions	2,604,739	591,513	511,407	3,707,659
Changes in proportion and differences between City contributions and proportionate share of contributions	424,880	105,164	-	530,044
City contributions subsequent to the measurement date	<u>2,205,594</u>	<u>1,350,432</u>	<u>1,096,776</u>	<u>4,652,802</u>
Total Deferred Outflows of Resources	<u>\$ 9,297,799</u>	<u>\$ 5,712,588</u>	<u>\$ 4,777,267</u>	<u>\$ 19,787,654</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 392,889	\$ 20,833	\$ 18,014	\$ 431,736
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>418,298</u>	<u>778,803</u>	<u>1,319,882</u>	<u>2,516,983</u>
Total Deferred Inflows of Resources	<u>\$ 811,187</u>	<u>\$ 799,636</u>	<u>\$ 1,337,896</u>	<u>\$ 2,948,719</u>

\$4,652,802 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Year Ending December 31:				
2020	\$ 2,569,195	\$ 1,159,526	\$ 726,640	\$ 4,455,361
2021	1,446,304	558,449	206,965	2,211,718
2022	376,761	633,453	407,594	1,417,808
2023	1,888,758	1,155,971	961,849	4,006,578
2024	-	55,121	39,547	94,668
Total	<u>\$ 6,281,018</u>	<u>\$ 3,562,520</u>	<u>\$ 2,342,595</u>	<u>\$ 12,186,133</u>

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OPERS (Continued)

Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.20
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 44,202,955	\$ 29,921,634	\$ 18,053,728

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OP&F (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, and projected with the Conduent 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 January 1, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.60	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	<u>120.00 %</u>		

Note: Assumptions are geometric

* levered 2x

** numbers are net of expected inflation

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OP&F (Continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 54,682,706	\$ 41,601,805	\$ 30,670,823

NOTE 16: **DEFINED BENEFIT OPEB PLANS**

Net OPEB Liability

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Net OPEB Liability (Continued)

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

The City's contractually required contribution was \$23,244 for 2019.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

The City’s contractually required contribution to OP&F was \$58,874 for 2019. Of this amount, \$6,330 is reported as an intergovernmental payable.

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

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.104360%	0.513628%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.106844%</u>	<u>0.509661%</u>	
Change in Proportionate Share	<u>0.002484%</u>	<u>-0.003966%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 13,929,935	\$ 4,641,248	\$ 18,571,183
OPEB Expense	\$ 1,194,508	\$ (22,970,038)	\$ (21,775,530)

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$ 638,606	\$ 157,111	\$ 795,717
Differences between expected and actual experience	4,717	-	4,717
Changes of assumptions	449,118	2,405,799	2,854,917
Changes in proportion and differences between City contributions and proportionate share of contributions	183,156	-	183,156
City contributions subsequent to the measurement date	23,244	58,874	82,118
Total Deferred Outflows of Resources	<u>\$ 1,298,841</u>	<u>\$ 2,621,784</u>	<u>\$ 3,920,625</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 37,796	\$ 124,349	\$ 162,145
Changes of assumptions	-	1,284,917	1,284,917
Changes in proportion and differences between City contributions and proportionate share of contributions	190,978	711,619	902,597
Total Deferred Inflows of Resources	<u>\$ 228,774</u>	<u>\$ 2,120,885</u>	<u>\$ 2,349,659</u>

\$82,118 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2020	\$414,532	\$85,261	\$499,793
2021	202,643	85,261	287,904
2022	107,940	85,262	193,202
2023	321,708	132,783	454,491
2024	-	57,864	57,864
Thereafter	-	(4,406)	(4,406)
Total	<u>\$1,046,823</u>	<u>\$442,025</u>	<u>\$1,488,848</u>

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

Actuarial Assumptions – OPERS (Continued)

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

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OPERS (Continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	5.16 %

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OPERS (Continued)

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

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$ 17,821,579	\$ 13,929,935	\$ 10,835,050

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 13,389,690	\$ 13,929,935	\$ 14,552,153

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OP&F (Continued)

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	120.00 %		

Note: Assumptions are geometric

* levered 2x

** numbers are net of expected inflation

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

Actuarial Assumptions – OP&F (Continued)

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2025.

The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City’s proportionate share of the net OPEB liability	\$5,654,307	\$4,641,248	\$3,790,872

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

Changes between Measurement Date and Report Date Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 17: **SIGNIFICANT COMMITMENTS**

Contractual Commitments

As of December 31, 2019, the City had the following contract balances for various construction projects:

Service Complex Construction	\$ 7,352,406
Black River Remediation and Restoration Project	4,084,147
Broadway Avenue Streetscape	2,060,673
Fire Station #7 Construction	1,288,474
Black River Waste Water Treatment Plant Mechanical Bar Screen	1,064,832
Local Roadway Rehabilitation (12) - OPWC Round 31	998,797
Sanitary Sewer Relining Project	696,532
West Lorain Waterline Improvement	672,667
Lower Black River Dredge Reuse Facility Project	438,285
South Lorain Waterline Replacement	372,491
Municipal Court Case Management System	362,611
Local Roadway Rehabilitation (12) - OPWC Round 32	354,637
Martins Run Pump Station Relocation Project	315,370
Baumhart Road Resurfacing	218,956
Central Fire Station Roof Replacement	206,000
	<u>\$ 20,486,878</u>

Remaining commitment amounts were encumbered at year end.

Encumbrances

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

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

<i>Governmental Funds:</i>	
General	\$415,895
Streets	45,855
Capital Improvements	3,871,021
Other Governmental Funds	6,996,954
Total Governmental	<u>\$11,329,725</u>

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 18: JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Areawide Coordinating Agency

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 45 member board that includes the Mayor of the City of Lorain. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2019, the City contributed \$13,379 to the agency.

Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of over 235 members in 19 counties who have been authorized by ballot to purchase energy on behalf of their citizens.

The intent of NOPEC is to provide energy 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 thirteen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC, 31360 Solon Rd, Suite 33, Solon, Ohio 44139 or at the website www.nopecinfo.org.

NOTE 19: RELATED ORGANIZATION

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

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

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 20: **SHARED RISK POOL**

Public Entity Risk Consortium (PERC)

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

After withdrawal, the former member continues to be fully obligated for its portion of any claim against the assets of the joint self-insurance pool that was created during the term of its membership. In addition, any distribution of surplus PERC funds allocable to the withdrawing member are forfeited by the withdrawing member and is distributed to the then remaining members in proportion to their interest in the surplus funds or other equitable manner as determined by the Board of Directors. In 2019, the City made payments in the amount of \$562,038 to PERC. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., MK Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, OH 44113.

NOTE 21: **INTERFUND TRANSFERS AND BALANCES**

Interfund Transfers

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

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

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

A transfer was made from the municipal court special revenue fund to the municipal court improvements capital improvement fund for project costs related to the purchase and installation of a new court case management system.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 21: **INTERFUND TRANSFERS AND BALANCES** (Continued)

Interfund Transfers (Continued)

A GAAP transfer was made from the general obligation bond retirement fund to the capital improvement fund to reflect the pay down of Bond Anticipation Notes principal and interest. This transfer was necessary to record the retirement in the proper governmental fund.

Transfers made during the year ended December 31, 2019 were as follows:

Transfer To	Transfer From							Totals
	Governmental Funds			Other Governmental Funds	Enterprise Funds		Internal Service Funds	
	General	Street Construction	G.O. Bonds Retirement		Water Works	Water Pollution Control		
Governmental Funds								
General	\$ 0	\$ 12,911	\$ 0	\$ 13,808	\$ 29,767	\$ 33,595	\$ 3,374	\$ 93,455
Street Construction	50,000	0	0	0	0	0	0	50,000
G.O. Bond Retirement	1,050,265	1,659,710	0	1,445,090	0	0	0	4,155,065
Capital Improvements	0	0	3,000,000	0	0	0	0	3,000,000
Other Governmental Funds	360,552	0	0	152,000	0	0	0	512,552
<i>Total Governmental Funds</i>	<u>1,460,817</u>	<u>1,672,621</u>	<u>3,000,000</u>	<u>1,610,898</u>	<u>29,767</u>	<u>33,595</u>	<u>3,374</u>	<u>7,811,072</u>
Enterprise Funds								
Water Works	10,000	0	0	0	0	0	0	10,000
Water Pollution Control	10,000	0	0	0	0	0	0	10,000
<i>Total Enterprise Funds</i>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
<i>Total</i>	<u>\$ 1,480,817</u>	<u>\$ 1,672,621</u>	<u>\$ 3,000,000</u>	<u>\$ 1,610,898</u>	<u>\$ 29,767</u>	<u>\$ 33,595</u>	<u>\$ 3,374</u>	<u>\$ 7,831,072</u>

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City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 21: **INTERFUND TRANSFERS AND BALANCES** (Continued)

Interfund Balances

The interfund balances as of December 31, 2019 represent eliminating negative cash, unallocated municipal court fines, utility and petroleum costs. Interfund balances for the year ended December 31, 2019 consisted of the following:

<u>Interfund Payable</u>	Interfund Receivable						
	Governmental Funds		Enterprise Funds			Internal Service Funds	Totals
	General	Other Governmental Funds	Water Works	Water Pollution Control	Totals		
<u>Governmental Funds</u>							
General	\$ -	\$ 38,827	\$ 40	\$ 591	\$ 33,817	\$ 73,275	
Street Construction	-	-	-	-	38,803	38,803	
Community Development	-	-	-	-	-	-	
Capital Improvements	-	-	-	-	-	-	
Other Governmental Funds	142,372	-	-	-	7,041	149,413	
<i>Total Governmental Funds</i>	<i>142,372</i>	<i>38,827</i>	<i>40</i>	<i>591</i>	<i>79,661</i>	<i>261,491</i>	
<u>Enterprise Funds</u>							
Water Works	-	-	-	-	11,105	11,105	
Water Pollution Control	-	-	-	-	13,472	13,472	
<i>Total Enterprise Funds</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>24,577</i>	<i>24,577</i>	
<u>Internal Service Fund</u>							
Garage	52,365	-	-	-	-	52,365	
<i>Total</i>	<i>\$ 194,737</i>	<i>\$ 38,827</i>	<i>\$ 40</i>	<i>\$ 591</i>	<i>\$ 104,238</i>	<i>\$ 338,433</i>	

NOTE 22: **CONTINGENCIES**

Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. In 2015, the Federal Bureau of Investigation began reviewing the Community Development Block Grant program expenses for compliance with terms and conditions specified in the grant award. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the City at December 31, 2019.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 22: **CONTINGENCIES** (Continued)

Litigation

The City is a defendant in various lawsuits seeking damages. City management cannot presently determine the outcome of such litigation or predict the likelihood or amount of liability, if any, the City may incur as a result of these matters.

NOTE 23: **TAX ABATEMENTS**

As of December 31, 2019, the City of Lorain provided tax incentives under two programs: The Community Reinvestment Area (CRA) and the Job Creation Incentive Program.

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

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

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

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

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

The City of Lorain authorizes incentives through passage of public ordinances. The City is permitted to enter into a Community Reinvestment Area Tax Abatement Agreement with individual developers and set forth terms and conditions for each specific agreement to promote commercial development. The total amount of taxes abated for the year ended December 31, 2019 was \$520,044.

Income tax abatement programs: Pursuant to Ohio Revised Code Chapter 718 and City Ordinance, the City provides an incentive to eligible companies based upon their gross annual payroll, the amount of income tax generated annually and the number of jobs created and/or maintained by the business. The abatement is administered as a refund based on the prior year's withholding taxes. Also, the time period of the incentive in years, is negotiated on an individual basis with the City Administration and each company. The City of Lorain has only one active Job Creation Incentive agreement. For the calendar year ended December 31, 2019, the total amount of taxes abated through this program was \$38,510.

City of Lorain, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019
(Continued)

NOTE 24: SHORT-TERM OBLIGATIONS

The original issue date, interest rate, original issuance amount and maturity date for the City’s short-term obligation as follows:

GOVERNMENTAL FUNDS	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
2018, 3.50% Service Complex Improvements	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
Unamortized Premium	22,110	-	22,110	-
<i>Total Governmental Funds</i>	<u>\$ 3,022,110</u>	<u>\$ -</u>	<u>\$ 3,022,110</u>	<u>\$ -</u>

NOTE 25: SUBSEQUENT EVENTS

On February 14, 2020 the City entered into a lease agreement with Key Government Finance, Inc. for the purchase of twenty-nine new Dodge Charger police units and one Ford Police Interceptor K-9 unit, including the installation of all emergency equipment, in the amount of \$1,250,000. The lease is payable over a term of three years with payments to be made monthly beginning on March 14, 2020 at an interest rate of 2.03 percent.

On June 17, 2020 the City issued a bond anticipation note (BAN) in the amount of \$2,800,000 for the purpose of refunding the 2019 Broadway Streetscape Improvements BAN, having a principal amount of \$2,700,000, along with an additional \$100,000 for payment of interest on the 2019 Broadway Streetscape Improvements BAN and associated issuance costs. The BAN matures on June 17, 2021 and bears an interest rate of 1.25 percent.

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

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

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

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

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

See accompanying notes to the required supplementary information

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

Police	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.273339%	0.276037%	0.2816881%	0.2975640%	0.2917183%	0.2917183%
City's Proportionate Share of the Net Pension Liability	\$22,311,685	\$16,941,636	\$17,841,839	\$19,142,501	\$15,484,739	\$14,207,596
City's Covered Payroll	\$6,937,437	\$6,715,974	\$6,809,505	\$6,687,100	\$6,425,379	\$5,259,549
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	321.61%	252.26%	262.01%	286.26%	240.99%	270.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%
Fire	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.236322%	0.237591%	0.2471344%	0.2708310%	0.2861849%	0.2861849%
City's Proportionate Share of the Net Pension Liability	\$19,290,120	\$14,582,019	\$15,653,242	\$17,422,748	\$15,191,020	\$13,938,103
City's Covered Payroll	\$4,846,438	\$4,695,264	\$5,041,979	\$5,111,362	\$5,096,447	\$4,319,624
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	398.03%	310.57%	310.46%	340.86%	298.07%	322.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See accompanying notes to the required supplementary information

City of Lorain, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Ohio Public Employees Retirement System
Last Seven Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$2,205,594	\$2,067,320	\$1,832,019	\$1,682,419	\$1,803,286	\$1,709,777	\$1,811,780
Contributions in Relation to the Contractually Required Contribution	<u>(\$2,205,594)</u>	<u>(\$2,067,320)</u>	<u>(\$1,832,019)</u>	<u>(\$1,682,419)</u>	<u>(\$1,803,286)</u>	<u>(\$1,709,777)</u>	<u>(\$1,811,780)</u>
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered Payroll	\$15,754,243	\$14,766,571	\$14,092,454	\$14,020,158	\$15,027,383	\$14,248,142	\$13,936,769
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Contractually Required Contributions</u>										
Police	\$1,350,432	\$1,318,113	\$1,276,035	\$1,293,806	\$1,270,549	\$1,220,822	\$827,327	\$769,719	\$781,322	\$728,679
Fire	\$1,096,776	\$1,138,913	\$1,103,387	\$1,184,865	\$1,201,170	\$1,197,665	\$873,860	\$836,361	\$866,671	\$800,715
Total Required Contributions	\$2,447,208	\$2,457,026	\$2,379,422	\$2,478,671	\$2,471,719	\$2,418,487	\$1,701,187	\$1,606,080	\$1,647,993	\$1,529,394
Contributions in Relation to the Contractually Required Contribution	(\$2,447,208)	(\$2,457,026)	(\$2,379,422)	(\$2,478,671)	(\$2,471,719)	(\$2,418,487)	(\$1,701,187)	(\$1,606,080)	(\$1,647,993)	(\$1,529,394)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>City's Covered Payroll</u>										
Police	\$7,107,537	\$6,937,437	\$6,715,974	\$6,809,505	\$6,687,100	\$6,425,379	\$5,259,549	\$6,037,012	\$6,128,016	\$5,715,129
Fire	\$4,667,132	\$4,846,438	\$4,695,264	\$5,041,979	\$5,111,362	\$5,096,447	\$4,319,624	\$4,848,470	\$5,024,180	\$4,641,826
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%	17.25%

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

See accompanying notes to the required supplementary information

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

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

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

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.509661%	0.513628%	0.528820%
City's Proportionate Share of the Net OPEB Liability	\$ 4,641,248	\$ 29,101,430	\$ 25,101,896
City's Covered Payroll	\$ 11,783,875	\$ 11,411,238	\$ 11,851,484
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.39%	255.02%	211.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information

City of Lorain, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Ohio Public Employees Retirement System
Last Five Years (1)

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

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 58,874	\$ 58,919	\$ 57,056	\$ 57,892	\$ 58,634	\$ 62,503	\$ 314,024	\$ 734,754	\$ 752,759	\$ 699,080
Contributions in Relation to the Contractually Required Contribution	(58,874)	(58,919)	(57,056)	(57,892)	(58,634)	(62,503)	(314,024)	(734,754)	(752,759)	(699,080)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 11,774,669	\$ 11,783,875	\$ 11,411,238	\$ 11,851,484	\$ 11,798,462	\$ 11,521,826	\$ 9,579,173	\$ 10,885,482	\$ 11,152,196	\$ 10,356,955
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information

City of Lorain, Ohio
Notes to Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

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

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019.

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

City of Lorain, Ohio
Notes to Required Supplementary Information

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

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

Net OPEB Liability

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

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

**CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Programs</i>			
CDBG-Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-39-0016	\$ 170,596
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-39-0016	97,002
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-39-0016	87,104
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-39-0016	890,372
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-39-0016	146,254
Total CDBG-Entitlement Grants Cluster			<u>1,391,328</u>
Total U.S. Department of Housing and Urban Development			<u>1,391,328</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Ohio Department of Natural Resources</i>			
Urban and Community Forestry Program	10.675	15-DG-11420004-019	15,180
Total U.S. Department of Agriculture			<u>15,180</u>
<u>U.S. Department of Commerce</u>			
<i>Direct Program</i>			
Economic Development Cluster:			
Economic Adjustment Assistance	11.307	N/A	2,642,273
Total Economic Development Cluster			<u>2,642,273</u>
<i>Passed Through Ohio Department of Natural Resources</i>			
Coastal Zone Management Administration Awards	11.419	NA16NOS4190094	2,250
Total Passed Through Ohio Department of Natural Resources			<u>2,250</u>
Total U.S. Department of Commerce			<u>2,644,523</u>
<u>U.S. Department of Justice</u>			
<i>Direct Programs</i>			
Bulletproof Vest Partnership Program	16.607	2017-BUBX-17090370	9,439
Bulletproof Vest Partnership Program	16.607	2019-BUBX-19096288	7,414
Total CFDA #16.607			<u>16,853</u>
Public Safety Partnership and Community Policing Grants	16.710	2014-UMWX-0190	94,594
Equitable Sharing Program	16.922	N/A	28,201
Total Direct Programs			<u>139,648</u>
<i>Passed Through Office of Ohio Attorney General</i>			
Crime Victim Assistance	16.575	2019-VOCA-132132941	88,770
Crime Victim Assistance	16.575	2020-VOCA-132923414	27,204
Total CFDA #16.575			<u>115,974</u>
<i>Passed Through Lorain County</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-H2208-OH-DJ	12,079
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-H3108-OH-DJ	9,013
Total CFDA #16.738			<u>21,092</u>
<i>Passed Through Ohio Department of Public Safety</i>			
Project Safe Neighborhoods	16.609	2016-PS-PSN	6,732
Project Safe Neighborhoods	16.609	2013-PS-PSN-399	17,930
Total CFDA #16.609			<u>24,662</u>
Total Passed Through Programs			<u>161,728</u>
Total U.S. Department of Justice			<u>301,376</u>

(Continued)

**CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Total Federal Expenditures
<u>U.S. Department of Transportation</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	PID No. 100169	90,216
Highway Planning and Construction	20.205	PID No. 105896	1,500,000
Total Highway Planning and Construction Cluster			<u>1,590,216</u>
<i>Total Passed Through Ohio Department of Transportation</i>			<u>1,590,216</u>
<i>Passed Through Ohio Department of Public Safety</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	STEP-2019	9,219
Total Highway Safety Cluster			<u>9,219</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	1DEP-2019	7,813
<i>Total Passed Through Ohio Department of Public Safety</i>			<u>17,032</u>
Total U.S. Department of Transportation			<u>1,607,248</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Program</i>			
Great Lakes Program	66.469	GL-00E01523-0	1,918,406
Great Lakes Program	66.469	GL-00E02282-0	118,059
<i>Total CFDA #66.469</i>			<u>2,036,465</u>
Total U.S. Environmental Protection Agency			<u>2,036,465</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,996,120</u>

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

**CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Lorain, Ohio, under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lorain, Ohio, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lorain, Ohio.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

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

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

During 2019, the City did not disburse any grant funds to subrecipients.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

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

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

These loans are collateralized by mortgages on the properties.

Activity in the CDBG Revolving Loan Fund during 2019 is as follows:

Beginning loans receivable balance as of January 1, 2019	\$ 6,955,658
Loans made	410,384
Loan principal repaid	(342,695)
Loans written off during the year	(735,477)
Ending loans receivable balance at December 31, 2019	<u>\$ 6,287,870</u>
Cash balances on hand in the revolving loan fund as of December 31, 2019	\$ 1,284,560
Administrative costs expended during 2019	0

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2019, the City estimates \$1,008,830 to be uncollectible.

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Ohio Society of Certified Public Accountants

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

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

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 21, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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



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

August 21, 2020

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

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

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

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Lorain, Lorain County, Ohio's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Lorain complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

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

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



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

August 21, 2020

**CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

2019(i)	Type of Financial Statement Opinion	Unmodified
2019(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2019(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2019(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2019(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2019(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2019(v)	Type of Major Programs' Compliance Opinions	Unmodified
2019(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2019(vii)	Major Programs (list): CDBG Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants - CFDA #14.218 Economic Development Cluster: Economic Adjustment Assistance - CFDA #11.307	
2019(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2019(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The prior issued audit report, as of December 31, 2018, included a significant deficiency.

Finding Number	Finding Summary	Status	Additional Information
2018-001	Significant Deficiency - Employee Hours	Partially corrected.	Reissued as a management letter recommendation.

Management letter recommendations as of December 31, 2018, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF LORAIN

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/20/2020

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