



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF EASTLAKE  
LAKE COUNTY**

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LAKE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire and EMS Levy Funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary information***

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 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 December 5, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 5, 2024

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**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Financial highlights for 2023 are as follows:

- In 2023, the City's governmental fund balance increased by \$4,883,482 as revenues outpaced expenditures. The general fund increased by \$1,850,678 largely due to an increase in municipal income tax collections and an increase in interest earned on investments.
- The City continues to focus on the maintenance and repair of streets. During 2023, the City completed their 2022 and 2023 road programs as well as continued improvements to Captains Stadium and splash park.
- In 2023, the City continued improvements to a \$8 million Waverly Road sewer repair project and a 7 million improvement to Galalina Harbor, and storm and sewer repair projects.
- Outstanding debt decreased during the year due to annual debt payments.

### **Using This Annual Financial Report**

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

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

### ***The City of Eastlake as a Whole***

#### ***Statement of Net Position and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2023?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

***Reporting the City's Most Significant Funds***

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

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

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

The City of Eastlake maintains 38 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, fire and ems levy special revenue funds and the captain stadium improvement and road improvement capital project funds, which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

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

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

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

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

### The City as a Whole

As noted earlier, the statement of net position looks at the City as a whole. The following table provides a summary of the City's net position for 2023 compared to 2022.

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022*
<b>Assets</b>						
Current and Other Assets	\$33,263,697	\$28,902,892	\$3,195,284	\$3,943,448	\$36,458,981	\$32,846,340
Net OPEB Asset	0	518,759	0	39,047	0	557,806
Capital Assets, Net	46,096,756	41,225,548	18,079,749	15,211,188	64,176,505	56,436,736
<b>Total Assets</b>	<b>79,360,453</b>	<b>70,647,199</b>	<b>21,275,033</b>	<b>19,193,683</b>	<b>100,635,486</b>	<b>89,840,882</b>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	268,124	335,156	0	0	268,124	335,156
Asset Retirement Obligation	0	13,679	1,112,000	1,285,500	1,112,000	1,299,179
Pension	7,982,441	4,885,020	188,705	76,890	8,171,146	4,957,102
OPEB	1,301,619	1,234,317	26,102	3,413	1,327,721	1,234,317
<b>Total Deferred Outflows of Resources</b>	<b>9,552,184</b>	<b>6,468,172</b>	<b>1,326,807</b>	<b>1,365,803</b>	<b>10,878,991</b>	<b>7,825,754</b>
<b>Liabilities</b>						
Current Liabilities	3,439,407	3,898,252	360,190	118,594	3,799,597	4,016,846
Long-Term Liabilities						
Due Within One Year	1,637,104	1,557,575	428,351	27,530	2,065,455	1,585,105
Due in More Than One Year	5,091,826	6,423,843	12,993,133	11,386,655	18,084,959	17,810,498
Net Pension Liability	22,392,233	13,014,986	422,330	116,542	22,814,563	13,131,528
Net OPEB Liability	1,387,719	2,011,775	8,394	0	1,396,113	2,011,775
<b>Total Liabilities</b>	<b>33,948,289</b>	<b>26,906,431</b>	<b>14,212,398</b>	<b>11,649,321</b>	<b>48,160,687</b>	<b>38,555,752</b>
<b>Deferred Inflows of Resources</b>						
Property Tax	5,071,857	5,005,477	0	0	5,071,857	5,005,477
Lease	306,043	431,173	0	0	306,043	431,173
Pension	923,461	5,521,695	0	145,989	923,461	5,662,876
OPEB	1,406,569	1,282,840	2,769	43,508	1,409,338	1,323,184
<b>Total Deferred Inflows of Resources</b>	<b>\$7,707,930</b>	<b>\$12,241,185</b>	<b>\$2,769</b>	<b>\$189,497</b>	<b>\$7,710,699</b>	<b>\$12,422,710</b>

(continued)

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

**Table 1**  
*Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022*
<b>Net Position</b>						
Net Investment in Capital Assets	\$41,071,024	\$34,083,440	\$7,819,979	\$7,207,994	\$48,891,003	\$41,291,434
Restricted for:						
Capital Projects	4,257,569	2,868,647	0	0	4,257,569	2,868,647
Debt Service	592,603	237,000	0	0	592,603	237,000
OPEB Plans	0	518,759	0	39,047	0	557,806
Other Purposes	4,003,634	3,643,132	0	0	4,003,634	3,643,132
Unrestricted (Deficit)	(2,668,412)	(3,383,223)	566,694	1,473,627	(2,101,718)	(1,909,596)
<i>Total Net Position</i>	<u>\$47,256,418</u>	<u>\$37,967,755</u>	<u>\$8,386,673</u>	<u>\$8,720,668</u>	<u>\$55,643,091</u>	<u>\$46,688,423</u>

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

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2023. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total net position for governmental activities showed an increase from 2022. This was largely due to an increase in cash because of an increase in income tax collections and interest earned on investments. In addition, capital assets increased as the City completed their 2022 road paving program as well as continued improvements throughout the captain's stadium which included a new roof and new lights. Total net position for business-type activities saw a decrease in net position as contractual services and another year of depreciation outpaced operating revenue.

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

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

**Table 2**  
*Change in Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$2,477,580	\$2,316,878	\$2,985,117	\$2,329,417	\$5,462,697	\$4,646,295
Operating Grants and Contributions	3,956,881	1,881,493	0	0	3,956,881	1,881,493
Capital Grants and Interest	2,225,335	2,001,547	498,188	591,252	2,723,523	2,592,799
Total Program Revenues	8,659,796	6,199,918	3,483,305	2,920,669	12,143,101	9,120,587
General Revenues						
Property Taxes	5,317,736	5,034,806	0	0	5,317,736	5,034,806
Municipal Income Taxes	12,902,139	10,845,670	0	0	12,902,139	10,845,670
Hotel Taxes	84,933	76,009	0	0	84,933	76,009
Permissive MVL Taxes	34,166	131,254	0	0	34,166	131,254
Grants and Entitlements	1,540,305	1,624,520	0	0	1,540,305	1,624,520
Franchise Taxes	279,863	200,856	0	0	279,863	200,856
Investment Earnings/Interest	924,975	250,670	0	0	924,975	250,670
Other	163,685	135,012	17,498	0	181,183	135,012
Total General Revenues	21,247,802	18,298,797	17,498	0	21,265,300	18,298,797
<i>Total Revenues</i>	<i>29,907,598</i>	<i>24,498,715</i>	<i>3,500,803</i>	<i>2,920,669</i>	<i>33,408,401</i>	<i>27,419,384</i>
<b>Program Expenses</b>						
General Government	7,265,228	4,568,444	0	0	7,265,228	4,568,444
Security of Persons and Property	10,202,625	7,950,200	0	0	10,202,625	7,950,200
Public Health Services	216,763	220,584	0	0	216,763	220,584
Transportation	579,288	1,691,141	0	0	579,288	1,691,141
Community Environment	463,511	432,617	0	0	463,511	432,617
Basic Utility Services	608,596	608,776	0	0	608,596	608,776
Leisure Time Activities	1,115,138	1,030,060	0	0	1,115,138	1,030,060
Interest	167,786	188,711	0	0	167,786	188,711
Sanitary Sewer	0	0	3,480,853	2,351,310	3,480,853	2,351,310
Storm Water	0	0	353,945	401,589	353,945	401,589
<i>Total Expenses</i>	<i>20,618,935</i>	<i>16,690,533</i>	<i>3,834,798</i>	<i>2,752,899</i>	<i>24,453,733</i>	<i>19,443,432</i>
Increase (Decrease) in Net Position						
Before Transfers	9,288,663	7,808,182	(333,995)	167,770	8,954,668	7,975,952
Transfers	0	941	0	(941)	0	0
Change in Net Position	9,288,663	7,809,123	(333,995)	166,829	8,954,668	7,975,952
Net Position Beginning of Year	37,967,755	30,158,632	8,720,668	8,553,839	46,688,423	38,712,471
Net Position End of Year	\$47,256,418	\$37,967,755	\$8,386,673	\$8,720,668	\$55,643,091	\$46,688,423

**Governmental Activities**

Several revenue sources fund governmental activities with City municipal income tax being the largest contributor. The City has a current municipal income tax rate of 2 percent and grants a 2 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of general revenue for governmental activities. The City collects 3 mills of inside millage and has approved 9.8 mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, a .5 mill fire levy and a 4.5 mill fire levy. The 1.8 mill operating levy was renewed by the voters on

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*Unaudited*

November 2, 2021. The .5 mill fire levy was renewed by the voters in the November 5, 2019 election and an additional 4.5 mill fire levy was passed by the voters on May 2, 2017. On November 3, 2020, voters renewed the 3 mill road levy for an additional 5 years with collections starting in 2021. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services. During 2023, property tax revenue collections increased slightly due to the increase in assessed valuations. Municipal income taxes saw an increase from 2022 largely due to the economy showing strength and staying current on tax payments.

Program expenses increased from 2022 levels due to an increase in expenditures related to net pension and net OPEB liabilities. The most substantial increases were in general government and security of persons and property, which were offset by decreases in transportation and basic utility expenses.

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

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	2023		2022	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$7,265,228	(\$4,645,543)	\$4,568,444	(\$3,840,111)
Security of Persons and Property	10,202,625	(8,607,630)	7,950,200	(6,493,377)
Public Health Services	216,763	(186,679)	220,584	(188,355)
Transportation	579,288	800,263	1,691,141	(265,921)
Community Environment	463,511	(206,843)	432,617	(323,406)
Basic Utility Services	608,596	(608,578)	608,776	(608,774)
Leisure Time Activities	1,115,138	1,663,657	1,030,060	1,418,040
Interest	167,786	(167,786)	188,711	(188,711)
Total	<u>\$20,618,935</u>	<u>(\$11,959,139)</u>	<u>\$16,690,533</u>	<u>(\$10,490,615)</u>

***Business-Type Activities***

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Revenues saw an increase for 2023 due to an increase in charges for services. The expenses increased due to an increase in maintenance projects the City is currently working on.

***Governmental Funds Financial Analysis***

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

The City's major governmental funds are the general fund, fire and EMS levy special revenue fund and the captain stadium improvement and road improvement capital projects funds. The general fund revenues exceeded expenditures for the year before transfers out and resulted in a fund balance increase once transfers were made. Municipal income taxes saw an increase in collections from 2022 as a sign of stable economy. Expenditures increased due to wage increases during the year as well as continued maintenance projects throughout the City. Management continues to monitor its spending to stay in line with the budget. The fire

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

and ems levy special revenue fund balance decreased due to expenditures outpacing revenues for the year. The captain stadium improvement capital projects fund saw an decrease in fund balance as capital outlays outpaced intergovernmental revenues. The road improvement capital projects fund saw an increase in fund balance due to revenues outpacing expenditures.

## **General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2023, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for additional funds to cover grant reimbursed expenditures and emergency construction work. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. There was an increase in revenues from the final budget due to an increase in the amount of municipal income taxes received from what was expected. There was a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to continue its financial recovery.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Table 4 shows 2023 balances of capital assets as compared to 2022.

<b>Table 4</b>						
Capital Assets at December 31						
(Net of Accumulated Depreciation and Amortization)						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$7,952,005	\$7,952,005	\$75,556	\$75,556	\$8,027,561	\$8,027,561
Construction in Progress	4,530,372	3,134,036	3,564,903	299,531	8,095,275	3,433,567
Land Improvements	10,233,758	10,486,076	0	0	10,233,758	10,486,076
Buildings and Improvements	5,479,724	4,413,798	11,478,710	11,809,917	16,958,434	16,223,715
Machinery and Equipment	1,975,338	1,936,743	575,534	550,920	2,550,872	2,487,663
Computer Software	198,421	227,141	0	0	198,421	227,141
Vehicles	3,242,674	3,288,029	82,390	96,849	3,325,064	3,384,878
Intangible Right to Use - Copier Lease	17,735	25,617	0	0	17,735	25,617
Intangible Right to Use - Subscription	20,860	37,548	0	0	20,860	37,548
Infrastructure	12,445,869	9,762,103	2,302,656	2,378,415	14,748,525	12,140,518
<b>Total Capital Assets</b>	<b>\$46,096,756</b>	<b>\$41,263,096</b>	<b>\$18,079,749</b>	<b>\$15,211,188</b>	<b>\$64,176,505</b>	<b>\$56,474,284</b>

For 2023, the primary additions for governmental activities included construction in progress that includes Captains stadium improvements, Vine Street improvements, Erie Road park and splash park. The City also purchased several vehicles for the police department as well as several service department vehicles. These additions were offset by another year of depreciation. In 2023, the City implemented GASB Statement No. 96. As a result, the City is recording an intangible right to use for software licenses the City utilizes.

**City of Eastlake, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

The City is involved in improvements to the Galalina area pump station, Galalina shoreline and Waverly Road sewer repairs which constitutes additions to construction in progress for business-type activities. Additional information concerning the City's capital assets can be found in Note 11 to the basic financial statements.

**Debt**

Table 5 summarizes the City's long-term obligations outstanding at December 31, 2023.

<b>Table 5</b>						
Outstanding Long-Term Obligations at Year End						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$4,450,000	\$5,575,000	\$0	\$0	\$4,450,000	\$5,575,000
OPWC Loans	284,333	330,519	108,017	127,932	392,350	458,451
OWDA Loans	0	0	9,815,394	7,788,106	9,815,394	7,788,106
Financed Purchases	469,420	615,204	0	0	469,420	615,204
Lease Payable	17,835	25,690	0	0	17,835	25,690
Subscription Payable	20,585	37,548	0	0	20,585	37,548
Compensated Absences	1,419,257	1,348,506	28,073	28,147	1,447,330	1,376,653
Asset Retirement Obligation	67,500	86,499	3,470,000	3,470,000	3,537,500	3,556,499
Net Pension Liability	22,392,233	13,014,986	422,330	116,542	22,814,563	13,131,528
Net OPEB Liability	1,387,719	2,011,775	8,394	0	1,396,113	2,011,775
Total	<u>\$30,508,882</u>	<u>\$23,045,727</u>	<u>\$13,852,208</u>	<u>\$11,530,727</u>	<u>\$44,361,090</u>	<u>\$34,576,454</u>

At December 31, 2023, the general obligation bonds outstanding consist of the 2020 general obligation refunding bonds. The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital project revenues as well as storm and sewer improvement capital contributions.

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

**Current Related Financial Activities**

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

**Contacting the City of Eastlake's Financial Management**

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



**City of Eastlake, Ohio**

*Statement of Net Position*

*December 31, 2023*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$22,284,014	\$2,713,049	\$24,997,063
Accounts Receivable	672,301	539,785	1,212,086
Internal Balances	78,716	(78,716)	0
Intergovernmental Receivable	1,446,897	0	1,446,897
Municipal Income Taxes Receivable	2,830,126	0	2,830,126
Hotel Taxes Receivable	3,579	0	3,579
Permissive Motor Vehicle Taxes Receivable	7,138	0	7,138
Leases Receivable	306,043	0	306,043
Prepaid Items	330,458	4,434	334,892
Materials and Supplies Inventory	184,118	1,543	185,661
Property Taxes Receivable	5,120,307	0	5,120,307
Special Assessments Receivable	0	15,189	15,189
Nondepreciable Capital Assets	12,482,377	3,640,459	16,122,836
Depreciable Capital Assets, Net	33,614,379	14,439,290	48,053,669
<i>Total Assets</i>	<u>79,360,453</u>	<u>21,275,033</u>	<u>100,635,486</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	268,124	0	268,124
Asset Retirement Obligation	0	1,112,000	1,112,000
Pension	7,982,441	188,705	8,171,146
OPEB	1,301,619	26,102	1,327,721
<i>Total Deferred Outflows of Resources</i>	<u>9,552,184</u>	<u>1,326,807</u>	<u>10,878,991</u>
<b>Liabilities</b>			
Accounts Payable	2,324,200	9,950	2,334,150
Contracts Payable	155,175	309,450	464,625
Accrued Wages	312,605	9,569	322,174
Retainage Payable	15,792	26,909	42,701
Matured Compensated Absences Payable	25,702	0	25,702
Intergovernmental Payable	342,911	4,312	347,223
Deposits Held Payable	253,363	0	253,363
Accrued Interest Payable	9,659	0	9,659
Long-Term Liabilities:			
Due Within One Year	1,637,104	428,351	2,065,455
Due In More Than One Year	5,091,826	12,993,133	18,084,959
Net Pension Liability (See Note 13)	22,392,233	422,330	22,814,563
Net OPEB Liability (See Note 14)	1,387,719	8,394	1,396,113
<i>Total Liabilities</i>	<u>33,948,289</u>	<u>14,212,398</u>	<u>48,160,687</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,071,857	0	5,071,857
Leases	306,043	0	306,043
Pension	923,461	0	923,461
OPEB	1,406,569	2,769	1,409,338
<i>Total Deferred Inflows of Resources</i>	<u>7,707,930</u>	<u>2,769</u>	<u>7,710,699</u>
<b>Net Position</b>			
Net Investment in Capital Assets	41,071,024	7,819,979	48,891,003
Restricted for:			
Capital Projects	4,257,569	0	4,257,569
Debt Service	592,603	0	592,603
Other Purposes	4,003,634	0	4,003,634
Unrestricted (Deficit)	(2,668,412)	566,694	(2,101,718)
<i>Total Net Position</i>	<u>\$47,256,418</u>	<u>\$8,386,673</u>	<u>\$55,643,091</u>

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2023

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
General Government	\$7,265,228	\$698,243	\$1,921,442	\$0
Security of Persons and Property	10,202,625	762,479	817,526	14,990
Public Health Services	216,763	30,084	0	0
Transportation	579,288	37,598	1,209,015	132,938
Community Environment	463,511	247,770	8,898	0
Basic Utility Services	608,596	18	0	0
Leisure Time Activities	1,115,138	701,388	0	2,077,407
Interest	167,786	0	0	0
<i>Total Governmental Activities</i>	<u>20,618,935</u>	<u>2,477,580</u>	<u>3,956,881</u>	<u>2,225,335</u>
<b>Business-Type Activities:</b>				
Sanitary Sewer	3,480,853	2,905,037	0	178,499
Storm Water	353,945	80,080	0	319,689
<i>Total Business-Type Activities</i>	<u>3,834,798</u>	<u>2,985,117</u>	<u>0</u>	<u>498,188</u>
<i>Total</i>	<u>\$24,453,733</u>	<u>\$5,462,697</u>	<u>\$3,956,881</u>	<u>\$2,723,523</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				
Debt Service				
Police Pension				
Fire Pension				
Fire and EMS Operations				
Roads				
Municipal Income Tax Levied for General Purposes				
Hotel Taxes				
Permissive Motor Vehicle License Taxes				
Grants and Entitlements not Restricted to Specific Programs				
Franchise Taxes				
Investment Earnings/Interest				
Other				
<i>Total General Revenues</i>				
Change in Net Position				
<i>Net Position Beginning of Year</i>				
<i>Net Position End of Year</i>				

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$4,645,543)	\$0	(\$4,645,543)
(8,607,630)	0	(8,607,630)
(186,679)	0	(186,679)
800,263	0	800,263
(206,843)	0	(206,843)
(608,578)	0	(608,578)
1,663,657	0	1,663,657
(167,786)	0	(167,786)
(11,959,139)	0	(11,959,139)
0	(397,317)	(397,317)
0	45,824	45,824
0	(351,493)	(351,493)
(11,959,139)	(351,493)	(12,310,632)
1,507,895	0	1,507,895
213,686	0	213,686
152,633	0	152,633
152,633	0	152,633
2,314,262	0	2,314,262
976,627	0	976,627
12,902,139	0	12,902,139
84,933	0	84,933
34,166	0	34,166
1,540,305	0	1,540,305
279,863	0	279,863
924,975	0	924,975
163,685	17,498	181,183
21,247,802	17,498	21,265,300
9,288,663	(333,995)	8,954,668
37,967,755	8,720,668	46,688,423
\$47,256,418	\$8,386,673	\$55,643,091

**City of Eastlake, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2023*

	General	Fire and EMS Levy	Captain Stadium Improvement	Road Improvement	Other Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and					
Cash Equivalents	\$12,403,907	\$1,424,757	\$1,422,860	\$2,496,417	\$4,254,295
Accounts Receivable	531,463	0	0	0	140,838
Intergovernmental Receivable	734,243	20,765	0	36,008	655,881
Municipal Income Taxes Receivable	2,830,126	0	0	0	0
Hotel Taxes Receivable	0	0	0	0	3,579
Permissive Motor Vehicle					
Taxes Receivable	0	0	0	0	7,138
Leases Receivable	89,513	0	0	0	216,530
Interfund Receivable	1,500,000	0	0	0	0
Prepaid Items	320,041	0	0	3,909	6,508
Materials and Supplies Inventory	4,160	0	0	124,628	55,330
Property Taxes Receivable	1,455,407	2,053,060	0	937,069	674,771
Restricted Assets:					
Equity in Pooled Cash and					
Cash Equivalents	281,778	0	0	0	0
<i>Total Assets</i>	<u>\$20,150,638</u>	<u>\$3,498,582</u>	<u>\$1,422,860</u>	<u>\$3,598,031</u>	<u>\$6,014,870</u>
<b>Liabilities</b>					
Accounts Payable	\$2,268,696	\$0	\$0	\$30,892	\$24,612
Contracts Payable	93,133	0	0	22,940	39,102
Interfund Payable	0	0	1,421,284	0	0
Accrued Wages	201,301	89,115	0	9,497	12,692
Retainage Payable	0	0	0	0	15,792
Matured Compensated Absences Payable	25,702	0	0	0	0
Intergovernmental Payable	332,597	1,485	0	3,818	5,011
Deposits Held Payable from Restricted Assets	253,363	0	0	0	0
<i>Total Liabilities</i>	<u>3,174,792</u>	<u>90,600</u>	<u>1,421,284</u>	<u>67,147</u>	<u>97,209</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	1,441,544	2,032,303	0	930,000	668,010
Leases	89,513	0	0	0	216,530
Unavailable Revenue	2,033,180	41,522	0	43,077	550,496
<i>Total Deferred Inflows of Resources</i>	<u>3,564,237</u>	<u>2,073,825</u>	<u>0</u>	<u>973,077</u>	<u>1,435,036</u>
<b>Fund Balances</b>					
Nonspendable	352,616	0	0	128,537	61,838
Restricted	0	1,334,157	1,576	2,429,270	4,255,507
Committed	0	0	0	0	165,280
Assigned	3,282,386	0	0	0	0
Unassigned	9,776,607	0	0	0	0
<i>Total Fund Balances</i>	<u>13,411,609</u>	<u>1,334,157</u>	<u>1,576</u>	<u>2,557,807</u>	<u>4,482,625</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$20,150,638</u>	<u>\$3,498,582</u>	<u>\$1,422,860</u>	<u>\$3,598,031</u>	<u>\$6,014,870</u>

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2023*

Total Governmental Funds	<b>Total Governmental Funds Balances</b>	\$21,787,774
	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$22,002,236	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,096,756
672,301		
1,446,897		
2,830,126	Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds:	
3,579	Delinquent Property Taxes	48,450
	Intergovernmental	959,871
7,138	Municipal Income Taxes	1,196,994
306,043	Charges for Services	323,277
1,500,000	Fines, Forfeitures and Settlements	139,683
330,458	Total	2,668,275
184,118		
5,120,307	In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(9,659)
281,778	Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.	268,124
<u>\$34,684,981</u>		
	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
\$2,324,200	General Obligation Bonds	(4,450,000)
155,175	OPWC Loans Payable	(284,333)
1,421,284	Financed Purchases	(469,420)
312,605	Leases Payable	(17,835)
15,792	Subscription Payable	(20,585)
25,702	Compensated Absences Payable	(1,419,257)
342,911	Asset Retirement Obligation	(67,500)
253,363	Total	(6,728,930)
<u>4,851,032</u>		
	The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
5,071,857	Deferred Outflows - Pension	7,982,441
306,043	Deferred Outflows - OPEB	1,301,619
2,668,275	Net Pension Liability	(22,392,233)
	Net OPEB Liability	(1,387,719)
8,046,175	Deferred Inflows - Pension	(923,461)
	Deferred Inflows - OPEB	(1,406,569)
	Total	(16,825,922)
542,991		
8,020,510	<i>Net Position of Governmental Activities</i>	<u>\$47,256,418</u>
165,280		
3,282,386		
9,776,607		
<u>21,787,774</u>		
<u>\$34,684,981</u>		

**City of Eastlake, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2023*

	General	Fire and EMS Levy	Captain Stadium Improvement	Road Improvement	Other Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,517,263	\$2,148,285	\$0	\$981,946	\$703,902
Municipal Income Taxes	12,909,830	0	0	0	0
Hotel Taxes	0	0	0	0	84,933
Permissive Motor Vehicle Taxes	0	0	0	0	88,451
Intergovernmental	1,588,230	41,530	2,077,407	132,953	3,938,153
Charges for Services	886,280	0	0	0	142,926
Fees, Licenses and Permits	608,515	0	0	0	168,710
Franchise Taxes	279,863	0	0	0	0
Fines, Forfeitures and Settlements	93,317	0	0	0	29,313
Investment Earnings/Interest	903,215	0	0	0	21,760
Leases	50,490	0	0	0	74,640
Rentals	0	0	0	0	206,644
Contributions and Donations	0	0	0	0	78,615
Other	160,714	0	0	0	2,971
<i>Total Revenues</i>	<u>18,997,717</u>	<u>2,189,815</u>	<u>2,077,407</u>	<u>1,114,899</u>	<u>5,541,018</u>
<b>Expenditures</b>					
Current:					
General Government	5,018,215	0	0	0	1,900,214
Security of Persons and Property	5,442,073	2,230,033	0	0	772,255
Public Health Services	216,763	0	0	0	6,798
Transportation	268,596	0	0	237,684	1,074,066
Community Environment	433,582	0	0	0	3,314
Basic Utility Services	132	0	0	0	0
Leisure Time Activities	917,088	0	0	0	148,666
Capital Outlay	0	0	2,078,801	1,823,829	1,014,547
Debt Service:					
Principal Retirement	24,818	0	0	46,186	1,270,784
Interest	5,212	0	0	0	103,718
<i>Total Expenditures</i>	<u>12,326,479</u>	<u>2,230,033</u>	<u>2,078,801</u>	<u>2,107,699</u>	<u>6,294,362</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,671,238</u>	<u>(40,218)</u>	<u>(1,394)</u>	<u>(992,800)</u>	<u>(753,344)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	2,715,560	2,575,000
Transfers Out	(4,820,560)	0	0	0	(470,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,820,560)</u>	<u>0</u>	<u>0</u>	<u>2,715,560</u>	<u>2,105,000</u>
<i>Net Change in Fund Balances</i>	<u>1,850,678</u>	<u>(40,218)</u>	<u>(1,394)</u>	<u>1,722,760</u>	<u>1,351,656</u>
<i>Fund Balances Beginning of Year</i>	<u>11,560,931</u>	<u>1,374,375</u>	<u>2,970</u>	<u>835,047</u>	<u>3,130,969</u>
<i>Fund Balances End of Year</i>	<u>\$13,411,609</u>	<u>\$1,334,157</u>	<u>\$1,576</u>	<u>\$2,557,807</u>	<u>\$4,482,625</u>

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2023*

Total Governmental Funds	<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$4,883,482</b>
\$5,351,396	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
12,909,830	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/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period:	
84,933	Capital Asset Additions	6,894,916
88,451	Depreciation/Amortization	(2,009,516)
7,778,273	Total	4,885,400
1,029,206	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal.	(51,740)
777,225	Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds:	
279,863	Delinquent Property Taxes	(33,660)
122,630	Municipal Income Taxes	(7,691)
924,975	Intergovernmental	(134,367)
125,130	Charges for Services	77,062
206,644	Fines, Forfeitures and Settlements	139,683
78,615	Permissive Motor Vehicle Taxes	(54,285)
163,685	Total	(13,258)
29,920,856	Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,341,788
6,918,429	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore is not reported as expenditures in governmental funds:	
8,444,361	Accrued Interest	8,176
223,561	Amortization of Accounting Loss	(67,032)
1,580,346	Total	(58,856)
436,896	Payment of an asset retirement obligation is an expenditure in the governmental fund, but the payment reduces long-term liabilities in the statement of net position.	18,999
132	Amortization of deferred outflows related to the asset retirement obligation is reported as an expense in the statement of activities.	(13,679)
1,065,754	Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(70,751)
4,917,177	Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows:	
1,341,788	Pension	1,441,848
108,930	OPEB	24,293
25,037,374	Total	1,466,141
4,883,482	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities:	
5,290,560	Pension	(3,123,440)
(5,290,560)	OPEB	24,577
0	Total	(3,098,863)
4,883,482	<b>Change in Net Position of Governmental Activities</b>	<b>\$9,288,663</b>
16,904,292		
\$21,787,774		

**City of Eastlake, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,517,263	\$1,517,263	\$1,517,263	\$0
Municipal Income Taxes	7,813,243	10,927,635	13,123,874	2,196,239
Intergovernmental	3,033,558	3,492,148	3,492,148	0
Charges for Services	605,808	847,286	868,389	21,103
Fees, Licenses and Permits	551,098	774,939	605,218	(169,721)
Franchise Taxes	170,262	238,129	238,129	0
Fines, Forfeitures and Settlements	96,716	135,268	135,268	0
Interest	644,277	901,088	901,088	0
Other	272,851	381,610	138,676	(242,934)
<i>Total Revenues</i>	<u>14,705,076</u>	<u>19,215,366</u>	<u>21,020,053</u>	<u>1,804,687</u>
<b>Expenditures</b>				
Current:				
General Government	6,657,555	7,883,345	5,945,408	1,937,937
Security of Persons and Property	6,757,245	6,925,879	5,796,102	1,129,777
Public Health Services	217,743	217,743	217,743	0
Transportation	433,935	433,935	342,768	91,167
Community Environment	860,144	860,344	461,419	398,925
Basic Utility Services	500	3,000	132	2,868
Leisure Time Activities	946,223	1,125,092	937,550	187,542
<i>Total Expenditures</i>	<u>15,873,345</u>	<u>17,449,338</u>	<u>13,701,122</u>	<u>3,748,216</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,168,269)</u>	<u>1,766,028</u>	<u>7,318,931</u>	<u>5,552,903</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	275,000	275,000
Transfers Out	(396,933)	(4,930,000)	(4,820,560)	109,440
<i>Total Other Financing Sources (Uses)</i>	<u>(396,933)</u>	<u>(4,930,000)</u>	<u>(4,545,560)</u>	<u>384,440</u>
<i>Net Change in Fund Balance</i>	<u>(1,565,202)</u>	<u>(3,163,972)</u>	<u>2,773,371</u>	<u>5,937,343</u>
<i>Fund Balance Beginning of Year</i>	<u>7,344,473</u>	<u>7,344,473</u>	<u>7,344,473</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>985,937</u>	<u>985,937</u>	<u>985,937</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,765,208</u>	<u>\$5,166,438</u>	<u>\$11,103,781</u>	<u>\$5,937,343</u>

See accompanying notes to the basic financial statements



**City of Eastlake, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire and EMS Levy Fund*  
*For the Year Ended December 31, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$2,048,508	\$2,148,285	\$2,148,285	\$0
Intergovernmental	39,601	41,530	41,530	0
<i>Total Revenues</i>	2,088,109	2,189,815	2,189,815	0
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,286,368	2,286,368	2,221,601	64,767
<i>Net Change in Fund Balance</i>	(198,259)	(96,553)	(31,786)	64,767
<i>Fund Balance Beginning of Year</i>	1,456,543	1,456,543	1,456,543	0
<i>Fund Balance End of Year</i>	<u>\$1,258,284</u>	<u>\$1,359,990</u>	<u>\$1,424,757</u>	<u>\$64,767</u>

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2023*

	Sanitary Sewer	Storm Water	Total
<b>Assets</b>			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$2,577,753	\$135,296	\$2,713,049
Accounts Receivable	459,785	80,000	539,785
Materials and Supplies Inventory	1,543	0	1,543
Prepaid Items	4,434	0	4,434
<i>Total Current Assets</i>	3,043,515	215,296	3,258,811
<i>Noncurrent Assets</i>			
Special Assessments Receivable	15,189	0	15,189
Nondepreciable Capital Assets	3,640,459	0	3,640,459
Depreciable Capital Assets, Net	14,439,290	0	14,439,290
<i>Total Noncurrent Assets</i>	18,094,938	0	18,094,938
<i>Total Assets</i>	21,138,453	215,296	21,353,749
<b>Deferred Outflows of Resources</b>			
Asset Retirement Obligation	1,112,000	0	1,112,000
Pension	188,705	0	188,705
OPEB	26,102	0	26,102
<i>Total Deferred Outflows of Resources</i>	1,326,807	0	1,326,807
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts Payable	9,950	0	9,950
Contracts Payable	309,450	0	309,450
Retainage Payable	26,909	0	26,909
Accrued Wages	9,569	0	9,569
Intergovernmental Payable	4,312	0	4,312
Interfund Payable	78,716	0	78,716
Compensated Absences Payable	17,465	0	17,465
OPWC Loan Payable	11,260	2,016	13,276
OWDA Loan Payable	238,046	159,564	397,610
<i>Total Current Liabilities</i>	705,677	161,580	867,257
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	10,608	0	10,608
Asset Retirement Obligation Payable	3,470,000	0	3,470,000
OPWC Loan Payable	59,473	35,268	94,741
OWDA Loan Payable	6,265,056	3,152,728	9,417,784
Net Pension Liability	422,330	0	422,330
Net OPEB Liability	8,394	0	8,394
<i>Total Long-Term Liabilities</i>	10,235,861	3,187,996	13,423,857
<i>Total Liabilities</i>	10,941,538	3,349,576	14,291,114
<b>Deferred Inflows of Resources</b>			
OPEB	2,769	0	2,769
<b>Net Position</b>			
Net Investment in Capital Assets	11,169,555	(3,349,576)	7,819,979
Unrestricted	351,398	215,296	566,694
<i>Total Net Position</i>	\$11,520,953	(\$3,134,280)	\$8,386,673

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Funds  
For the Year Ended December 31, 2023*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b>Operating Revenue</b>			
Charges for Services	\$2,808,137	\$80,080	\$2,888,217
Tap-In Fees	96,900	0	96,900
Other	8,797	8,701	17,498
	<u>2,913,834</u>	<u>88,781</u>	<u>3,002,615</u>
<b>Operating Expenses</b>			
Personal Services	410,284	46,855	457,139
Contractual Services	2,416,789	268,448	2,685,237
Materials and Supplies	81,990	0	81,990
Depreciation	483,444	0	483,444
	<u>3,392,507</u>	<u>315,303</u>	<u>3,707,810</u>
<i>Operating Income (Loss)</i>	(478,673)	(226,522)	(705,195)
<b>Non-Operating Revenues (Expenses)</b>			
Interest	(88,346)	(38,642)	(126,988)
<i>Income (Loss) Before Capital Contributions and Transfers</i>	(567,019)	(265,164)	(832,183)
Capital Contributions	178,499	319,689	498,188
<i>Change in Net Position</i>	(388,520)	54,525	(333,995)
<i>Net Position Beginning of Year</i>	11,909,473	(3,188,805)	8,720,668
<i>Net Position End of Year</i>	<u>\$11,520,953</u>	<u>(\$3,134,280)</u>	<u>\$8,386,673</u>

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
*For the Year Ended December 31, 2023*

	Sanitary Sewer	Storm Water	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$2,949,319	\$8,781	\$2,958,100
Cash Payments to Suppliers for Goods and Services	(2,360,093)	(328,492)	(2,688,585)
Cash Payments for Employee Services and Benefits	(383,119)	(46,855)	(429,974)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>206,107</u>	<u>(366,566)</u>	<u>(160,459)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital Contributions	250,000	589,239	839,239
Acquisition of Capital Assets	(3,015,646)	0	(3,015,646)
OWDA Loans Issued	2,228,982	199,969	2,428,951
Principal Paid on OPWC Loans	(16,892)	(3,023)	(19,915)
Principal Paid on OWDA Loans	(233,224)	(168,439)	(401,663)
Interest Paid on OWDA Loans	(88,346)	(38,642)	(126,988)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(875,126)</u>	<u>579,104</u>	<u>(296,022)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Advance Out	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(669,019)	112,538	(556,481)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,246,772</u>	<u>22,758</u>	<u>3,269,530</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,577,753</u></u>	<u><u>\$135,296</u></u>	<u><u>\$2,713,049</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	(\$478,673)	(\$226,522)	(\$705,195)
Adjustments:			
Depreciation	483,444	0	483,444
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	32,447	(80,000)	(47,553)
Special Assessments Receivable	3,038	0	3,038
Materials and Supplies Inventory	(419)	0	(419)
Prepaid Items	(4,434)	0	(4,434)
Deferred Outflows - ARO	173,500	0	173,500
Deferred Outflows - Pension	100,763	0	100,763
Deferred Outflows - OPEB	19,443	0	19,443
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(3,941)	(947)	(4,888)
Contracts Payable	(28,059)	(59,097)	(87,156)
Accrued Wages	435	0	435
Compensated Absences Payable	(74)	0	(74)
Intergovernmental Payable	(3,154)	0	(3,154)
Net Pension Liability	11,930	0	11,930
Net OPEB Liability	(440)	0	(440)
Deferred Inflows - Pension	(64,709)	0	(64,709)
Deferred Inflows - OPEB	(34,990)	0	(34,990)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$206,107</u></u>	<u><u>(\$366,566)</u></u>	<u><u>(\$160,459)</u></u>

**Non-Cash Capital Transactions**

In 2023, the sanitary sewer enterprise fund had contracts and retainage payable in the amount of \$309,450 and \$26,909, respectively, related to capital acquisitions.

See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*For the Year Ended December 31, 2023*

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**Additions**

Special Assessments for Other Governments	\$179,926
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**Deletions**

Distributions to Other Governments	<u>179,926</u>
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<i>Net Change in Fiduciary Net Position</i>	0
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<i>Net Position Beginning of Year</i>	<u>0</u>
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<i>Net Position End of Year</i>	<u><u>\$0</u></u>
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See accompanying notes to the basic financial statements

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Note 1 - Reporting Entity**

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

***Reporting Entity***

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

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

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

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

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

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

***Basis of Presentation***

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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

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

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

***Fund Accounting***

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

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

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

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

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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

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

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

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

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

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's fiduciary fund is a custodial fund. The City's custodial fund accounts for special assessments collected on behalf of the Energy Special Improvement District fund.

**Measurement Focus**

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

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

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement



**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

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

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

***Reclassifications***

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

***Basis of Accounting***

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources,

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, fines, forfeitures and settlements, charges for services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

***Budgetary Data***

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

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

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

***Cash and Cash Equivalents***

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

During 2023, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2023 amounted to \$903,215 which includes \$432,406 assigned from other City funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Inventory***

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

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***Restricted Assets***

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

***Interfund Balances***

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

***Capital Assets***

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

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

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

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

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

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The City is reporting intangible right to use assets related to lease assets and subscription assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

***Leases and SBITAs***

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

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

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

The City is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancellable IT software contracts. At the commencement of the subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate

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based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on City policy and length of service.

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

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

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

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

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

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

***Net Position***

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

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

***Fund Balance***

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

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***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash.

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2024’s appropriated budget.

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

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

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***Operating Revenues and Expenses***

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

***Monsanto Settlement Monies***

During 2023, Ohio reached a settlement agreement with Monsanto. As a participating subdivision, the City received a total settlement payment of \$17,414 during 2023. This amount is reflected as miscellaneous revenue split evenly between sanitary sewer and storm water enterprise funds in the accompanying financial statements

***Interfund Activity***

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

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

***Deferred Charge on Refunding***

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

***Estimates***

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

**Note 3 – Change in Accounting Principle**

For 2023, the City implemented Governmental Accounting Standards Board (GASB) No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.



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GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The City did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). These changes were incorporated in the City's 2023 financial statements. The City recognized \$37,548 in subscriptions payable at January 1, 2023 which was offset by the subscription asset.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

For 2023, the City also implemented the guidance in GASB's Implementation Guide No. 2021-1, *Implementation Guidance Update—2021* (other than question 5.1).

#### **Note 4 - Budgetary Basis of Accounting**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Unrecorded cash activity represents amounts paid but not reported by the City on the operating statements (budget), but which is reported on the GAAP basis operating statements.
4. Advances In are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

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

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	General	Fire and EMS
GAAP Basis	\$1,850,678	(\$40,218)
Net Adjustment for Revenue Accruals	2,022,336	0
Net Adjustment for Expenditure Accruals	(2,941,361)	8,432
Ending Unrecorded Cash	(7,593)	0
Advances In	275,000	0
Encumbrances	1,574,311	0
Budget Basis	<u>\$2,773,371</u>	<u>(\$31,786)</u>

## Note 5 - Fund Balance

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

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

Fund Balances	General	Fire and EMS Levy	Capital Stadium Improvement	Road Improvement	Other Governmental Funds	Total
<b><i>Nonspendable:</i></b>						
Prepaid Items	\$320,041	\$0	\$0	\$3,909	\$6,508	\$330,458
Materials and Supplies Inventory	4,160	0	0	124,628	55,330	184,118
Unclaimed Monies	28,415	0	0	0	0	28,415
<b><i>Total Nonspendable</i></b>	<u>352,616</u>	<u>0</u>	<u>0</u>	<u>128,537</u>	<u>61,838</u>	<u>542,991</u>
<b><i>Restricted for:</i></b>						
Road Improvements	0	0	0	2,429,270	1,069,514	3,498,784
Public Safety	0	0	0	0	166,573	166,573
Fire Operations	0	0	0	0	79,345	79,345
Police and Fire Pension	0	0	0	0	643,442	643,442
Fire and EMS Levy	0	1,334,157	0	0	0	1,334,157
Senior Citizens	0	0	0	0	62,188	62,188
Stadium Maintenance	0	0	1,576	0	1,535,558	1,537,134
Recreation Land Acquisition	0	0	0	0	110,307	110,307
Debt Service Payments	0	0	0	0	588,580	588,580
<b><i>Total Restricted</i></b>	<u>0</u>	<u>1,334,157</u>	<u>1,576</u>	<u>2,429,270</u>	<u>4,255,507</u>	<u>8,020,510</u>
<b><i>Committed to</i></b>						
Donations	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$165,280</u>	<u>\$165,280</u>

(continued)

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Fund Balances	General	Fire and EMS Levy	Capital Stadium Improvement	Road Improvement	Other Governmental Funds	Total
<b>Assigned to:</b>						
Purchases on order:						
General Government	\$1,119,979	\$0	\$0	\$0	\$0	\$1,119,979
Security of Persons and Property	266,928	0	0	0	0	266,928
Leisure Time Activities	6,972	0	0	0	0	6,972
Community Environment	27,057	0	0	0	0	27,057
Transportation	1,184	0	0	0	0	1,184
2024 Appropriations	1,860,266	0	0	0	0	1,860,266
<b>Total Assigned</b>	<b>3,282,386</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,282,386</b>
<b>Unassigned</b>	<b>9,776,607</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,776,607</b>
<b>Total Fund Balances</b>	<b>\$13,411,609</b>	<b>\$1,334,157</b>	<b>\$1,576</b>	<b>\$2,557,807</b>	<b>\$4,482,625</b>	<b>\$21,787,774</b>

**Stabilization arrangement** In addition to the above fund balance, the governing council adopted a resolution to establish and maintain a revenue stabilization reserve (“rainy day fund”) in the general fund that does not meet the criteria to be classified as restricted or committed. The principal resource for this reserve is excess revenues of the general fund. The revenue will be reserved on an annual basis with a maximum of 20 percent of the annual total general fund expenses being set aside in any one year. Once the City reserve reaches the 20 percent of general fund expenditure threshold, all revenues may be appropriated for current year operations. The reserve monies can only be accessed with the governing council authority. The general fund reserve balance was \$1,250,000 as of December 31, 2023.

## Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

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

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

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3. Obligations of the City.

**Deposits**

***Custodial credit risk*** for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2023, \$1,396,870 of the City's total bank balance of \$7,550,650 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 60 percent resulting in the uninsured and uncollateralized balance.

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

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

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

**Investments**

At December 31, 2023, the City had \$17,524,784 invested in STAR Ohio with an average maturity of 46.4 days.

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

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization. The City has no policy that addresses credit risk.

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

**Note 7 - Receivables**

Receivables at December 31, 2023, consisted primarily of municipal income taxes, property taxes, permissive motor vehicle taxes and intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments, leases and accounts (billings for utility service and Opioid settlement monies).

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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

Special assessments expected to be collected in more than one year amount to \$15,189 in the sanitary sewer enterprise fund.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of the 2022 taxes.

2023 real property taxes are levied after October 1, 2023 on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

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

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes which became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2023 was \$12.80 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2023 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$357,498,910
Other Real Estate	100,248,980
Public Utility Personal Property	<u>104,997,170</u>
Total Assessed Values	<u><u>\$562,745,060</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2023, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2023 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**City of Eastlake, Ohio**  
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***Income Taxes***

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

***Leases Receivable***

The City is reporting leases receivable of \$89,513 in the general fund and \$216,530 in the stadium capital project fund at December 31, 2023. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2023, the City recognized lease revenue of \$50,490 and interest revenue of \$2,127 in the general fund and recognized lease revenue of \$74,640 and interest revenue of \$1,441 in the stadium capital project fund related to lease payments received. These lease revenue amounts exclude short-term leases. A description of the City's leasing arrangements is as follows:

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

Company	Lease Commencement Date	Years	Lease Ending Date	Payment Method
Nextel Communications	2004	30	2034	Monthly
Willoughby-Eastlake Public Library	2020	5	2025	Monthly
ColliDE NE, LLC	2022	6	2028	Annual
Chagrin River Watershed Partners, Inc.	2021	4	2025	Monthly

A summary of future lease amounts receivable is as follows:

Year	General		Stadium	
	Principal	Interest	Principal	Interest
2024	\$52,660	\$1,206	\$18,519	\$1,327
2025	36,853	273	19,923	1,204
2026	0	0	20,050	1,076
2027	0	0	20,179	948
2028	0	0	20,307	819
2029-2033	0	0	103,501	2,132
2034	0	0	14,051	34
	<u>\$89,513</u>	<u>\$1,479</u>	<u>\$216,530</u>	<u>\$7,540</u>

**City of Eastlake, Ohio**  
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***Opioid Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$140,708 as an accounts receivable related to opioid settlement monies in the OneOhio Special Revenue Fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$15,981 expected to be collected in 2024.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>Governmental Activities:</b>	
Local Government	\$657,747
Gasoline Tax	482,296
Homestead and Rollback	164,732
Auto Registration	79,695
Other Grants	49,396
VOCA	6,583
Willoughby Eastlake Public Library	3,948
OPWC Grant	2,500
Total	<u><u>\$1,446,897</u></u>

**Note 8 - Tax Abatements**

As of December 31, 2023, the City provides tax abatements through Community Reinvestment Area (CRA) Tax Abatements and the Municipal Income Tax Incentive Program.

***Community Reinvestment Area (CRA)***

Pursuant to Ohio Revised Code Chapter 5709, the City established four Community Reinvestment Areas to provide property tax abatements to stimulate redevelopment by improvements and rehabilitation of properties located on Vine Street. Abatements are obtained through application by the property owner meeting a set of established goals outlined in the City of Eastlake Community Reinvestment Area Guidelines. The amount of the abatement is deducted from the recipient's tax bill. In 2023, the values of taxes being abated total \$1,072.

***Municipal Income Tax Incentive Program***

The City of Eastlake created the Municipal Tax Incentive Program in 2007. The purpose of the program is to maintain Eastlake's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to businesses based on the business' new gross annual payroll. The abatement is administered as a refund based on the business' payroll taxes. The time period in years is based on the business' amount of new



**City of Eastlake, Ohio**  
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gross payroll created. During 2023, the cap on the incentive was 50 percent of the business' 2 percent City payroll tax with an incentive period of no more than 7 years. In 2023, the taxes abated under this program were \$107,551.

## **Note 9 - Interfund Transactions**

### ***Interfund Balances***

Interfund receivables and payables are due to the timing of the receipt of grant monies by the major and nonmajor funds. All interfund balances are typically repaid within one year or when the grant is completed. Interfund balances at December 31, 2023, consist of interfund receivable/payables between the general fund and captain stadium improvements capital projects fund and sanitary sewer enterprise fund in the amount of \$1,421,284, and \$78,716, respectively.

### ***Interfund Transfers***

During 2023, the general fund transferred \$2,715,560 to the road improvement capital projects fund to support current and future road projects. The general fund also transferred \$2,105,000 to other governmental funds as debt payments came due and to provide additional resources for current operations. Other governmental funds transferred \$470,000 to other governmental fund as debt payments came due.

## **Note 10 - Contingencies**

### ***Litigation***

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

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

### ***Grants***

For the period January 1, 2023 to December 31, 2023 the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

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**Note 11 - Capital Assets**

A summary of changes in capital assets during 2023 follows:

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
<b>Governmental Activities</b>				
<b><i>Nondepreciable Capital Assets</i></b>				
Land	\$7,952,005	\$0	\$0	\$7,952,005
Construction in Progress	3,134,036	3,217,698	(1,821,362)	4,530,372
<i>Total Nondepreciable Capital Assets</i>	<u>11,086,041</u>	<u>3,217,698</u>	<u>(1,821,362)</u>	<u>12,482,377</u>
<b><i>Depreciable Capital Assets</i></b>				
<b><i>Tangible Assets</i></b>				
Land Improvements	18,153,295	113,547	0	18,266,842
Buildings and Improvements	10,753,655	1,326,422	0	12,080,077
Machinery and Equipment	5,684,741	374,895	(11,407)	6,048,229
Computer Software	287,197	0	0	287,197
Vehicles	5,500,814	366,562	(34,233)	5,833,143
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	32,633,868	3,317,154	(41,540)	35,909,482
<i>Total Tangible Assets</i>	<u>73,013,570</u>	<u>5,498,580</u>	<u>(87,180)</u>	<u>78,424,970</u>
<b><i>Intangible Right to Use</i></b>				
<b><i>Lease Asset</i></b>				
Intangible Right to Use - Equipment	33,499	0	0	33,499
<b><i>Subscription Assets</i></b>				
Intangible Right to Use - Software	37,548	0	0	37,548
<i>Total Intangible Assets</i>	<u>71,047</u>	<u>0</u>	<u>0</u>	<u>71,047</u>
<i>Total Depreciable Capital Assets</i>	<u>73,084,617</u>	<u>5,498,580</u>	<u>(87,180)</u>	<u>78,496,017</u>
<b><i>Less Accumulated Depreciation/Amortization</i></b>				
<b><i>Depreciation</i></b>				
Land Improvements	(7,667,219)	(365,865)	0	(8,033,084)
Buildings and Improvements	(6,339,857)	(260,496)	0	(6,600,353)
Machinery and Equipment	(3,747,998)	(336,300)	11,407	(4,072,891)
Computer Software	(60,056)	(28,720)	0	(88,776)
Vehicles	(2,212,785)	(385,101)	7,417	(2,590,469)
Infrastructure				
Streets, Curbs, Gutters, Sidewalks, etc	(22,871,765)	(608,464)	16,616	(23,463,613)
<i>Total Depreciation</i>	<u>(42,899,680)</u>	<u>(1,984,946)</u>	<u>35,440</u>	<u>(44,849,186)</u>
<b><i>Amortization</i></b>				
<b><i>Intangible Right to Use</i></b>				
<b><i>Lease Asset</i></b>				
Intangible Right to Use - Equipment	(7,882)	(7,882)	0	(15,764)
<b><i>Subscription Assets</i></b>				
Intangible Right to Use - Software	0	(16,688)	0	(16,688)
<i>Total Amortization</i>	<u>(7,882)</u>	<u>(24,570)</u>	<u>0</u>	<u>(32,452)</u>
<i>Total Accumulated Depreciation/Amortization</i>	<u>(42,907,562)</u>	<u>(2,009,516) *</u>	<u>35,440</u>	<u>(44,881,638)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>30,177,055</u>	<u>3,489,064</u>	<u>(51,740)</u>	<u>33,614,379</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$41,263,096</u>	<u>\$6,706,762</u>	<u>(\$1,873,102)</u>	<u>\$46,096,756</u>

**City of Eastlake, Ohio**  
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\*Depreciation expense was charged to governmental functions as follows:

	Depreciation	Amortization		Total
		Lease Assets	Subscription Assets	
General Government	\$193,820	\$0	\$0	\$193,820
Security of Persons and Property	442,184	7,882		\$450,066
Transportation	572,375	0	16,688	\$589,063
Community Environment	12,276	0	0	\$12,276
Basic Utility Services	608,464	0	0	\$608,464
Leisure Time Activities	155,827	0	0	\$155,827
Total	<u>\$1,984,946</u>	<u>\$7,882</u>	<u>\$16,688</u>	<u>\$2,009,516</u>
	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
<b>Business-Type Activities</b>				
<b><i>Nondepreciable Capital Assets</i></b>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	299,531	3,265,372	0	3,564,903
<i>Total Nondepreciable Capital Assets</i>	<u>375,087</u>	<u>3,265,372</u>	<u>0</u>	<u>3,640,459</u>
<b><i>Depreciable Capital Assets</i></b>				
Buildings and Improvements	13,706,773	0	0	13,706,773
Machinery and Equipment	1,095,253	86,633	0	1,181,886
Vehicles	231,823	0	0	231,823
Infrastructure				
Sewers	10,473,153	0	0	10,473,153
<i>Total Depreciable Capital Assets</i>	<u>25,507,002</u>	<u>86,633</u>	<u>0</u>	<u>25,593,635</u>
<b><i>Less Accumulated Depreciation</i></b>				
Buildings and Improvements	(1,896,856)	(331,207)	0	(2,228,063)
Machinery and Equipment	(544,333)	(62,019)	0	(606,352)
Vehicles	(134,974)	(14,459)	0	(149,433)
Infrastructure				
Sewers	(8,094,738)	(75,759)	0	(8,170,497)
<i>Total Accumulated Depreciation</i>	<u>(10,670,901)</u>	<u>(483,444)</u>	<u>0</u>	<u>(11,154,345)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>14,836,101</u>	<u>(396,811)</u>	<u>0</u>	<u>14,439,290</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$15,211,188</u>	<u>\$2,868,561</u>	<u>\$0</u>	<u>\$18,079,749</u>

## Note 12 - Risk Management

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

During 2023, the City participated in NORMA (Note 18), an insurance pool, for the following types of insurance:

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Type	Coverage
Property	\$55,316,250
Inland Marine	10,000,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella	15,000,000

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

***Workers' Compensation***

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

**Note 13 - Defined Benefit Pension Plans**

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

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

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

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

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

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

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

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

***Ohio Public Employees Retirement System (OPERS)***

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

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

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

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

	<u>State and Local</u>
	<u>Traditional</u>
<b>2023 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2023 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

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

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, the City's contractually required contribution was \$439,324 for the traditional plan. Of these amounts, \$49,308 is reported as an intergovernmental payable for the traditional plan.

***Ohio Police & Fire Pension Fund (OP&F)***

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

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

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

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

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

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

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

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

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

	<u>Police</u>	<u>Firefighters</u>
<b>2023 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2023 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>



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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,035,078 for 2023. Of this amount, \$121,343 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, 2022, 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, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS Traditional Plan	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0192940%	0.1801774%	
Prior Measurement Date	0.0191360%	0.1835416%	
Change in Proportionate Share	0.0001580%	-0.0033642%	
Proportionate Share of the Net Pension Liability	\$5,699,456	\$17,115,107	\$22,814,563
Pension Expense	934,003	2,269,975	3,203,978

The aggregate pension expense for all pension plans was a positive \$3,203,978 for 2023.

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$189,312	\$256,719	\$446,031
Changes of assumptions	60,211	1,543,724	1,603,935
Net difference between projected and actual earnings on pension plan investments	1,624,524	2,491,749	4,116,273
Changes in proportion and differences between City contributions and proportionate share of contributions	32,867	497,638	530,505
City contributions subsequent to the measurement date	439,324	1,035,078	1,474,402
Total Deferred Outflows of Resources	\$2,346,238	\$5,824,908	\$8,171,146

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	OPERS		
	Traditional Plan	OP&F	Total
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$389,932	\$389,932
Changes of assumptions	0	333,740	333,740
Changes in proportion and differences between City contributions and proportionate share of contributions	0	199,789	199,789
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$923,461</u>	<u>\$923,461</u>

\$1,474,402 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		
	Traditional Plan	OP&F	Total
Year Ending December 31:			
2024	\$248,041	\$506,927	\$754,968
2025	384,891	976,364	1,361,255
2026	478,177	1,025,778	1,503,955
2027	795,805	1,425,547	2,221,352
2028	0	(68,247)	(68,247)
Total	<u>\$1,906,914</u>	<u>\$3,866,369</u>	<u>\$5,773,283</u>

***Actuarial Assumptions – OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

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	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	100.00%	

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

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

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
<b>City's proportionate share of the net pension liability</b>			
OPERS Traditional Plan	\$8,537,595	\$5,699,456	\$3,338,634

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, are presented below.

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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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, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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, 2022, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.80 %
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	125.00 %	

Note: Assumptions are geometric.

\* levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers

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and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$22,578,128	\$17,115,107	\$12,573,696

**Note 14 – Defined Benefit OPEB Plans**

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

***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. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

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OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

**Medicare Retirees** Medicare-eligible with a minimum of 20 years of qualifying service credit

**Non-Medicare Retirees** Non-Medicare retirees qualify based on the following age-and-service criteria:

**Group A** 30 years of qualifying service credit at any age;

**Group B** 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

**Group C** 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.



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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2023.

***Ohio Police & Fire Pension Fund (OP&F)***

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

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to

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receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$24,293 for 2023. Of this amount, \$2,859 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, 2021, rolled forward to the measurement date of December 31, 2022, 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, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0179700%	0.1801774%	
Prior Measurement Date	<u>0.0178090%</u>	<u>0.1835416%</u>	
Change in Proportionate Share	<u>0.0001610%</u>	<u>-0.0033642%</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$113,303	\$1,282,810	\$1,396,113
OPEB Expense	(162,924)	122,360	(40,564)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$76,550	\$76,550
Changes of assumptions	110,667	639,283	749,950
Net difference between projected and actual earnings on OPEB plan investments	225,026	110,027	335,053
Changes in proportion and differences between City contributions and proportionate share of contributions	2,487	139,388	141,875
City contributions subsequent to the measurement date	<u>0</u>	<u>24,293</u>	<u>24,293</u>
Total Deferred Outflows of Resources	<u>\$338,180</u>	<u>\$989,541</u>	<u>\$1,327,721</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$28,262	\$252,945	\$281,207
Changes of assumptions	9,106	1,049,235	1,058,341
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>69,790</u>	<u>69,790</u>
Total Deferred Inflows of Resources	<u>\$37,368</u>	<u>\$1,371,970</u>	<u>\$1,409,338</u>

\$24,293 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2024	\$39,602	(\$700)	\$38,902
2025	82,333	12,840	95,173
2026	70,171	(41,976)	28,195
2027	108,706	(19,418)	89,288
2028	0	(98,633)	(98,633)
Thereafter	0	(258,835)	(258,835)
Total	<u>\$300,812</u>	<u>(\$406,722)</u>	<u>(\$105,910)</u>

***Actuarial Assumptions - OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent
	including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial
	3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

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

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

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During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	<u>100.00%</u>	

**Discount Rate** A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. 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 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial

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assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 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 (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB liability (asset)	\$385,636	\$113,303	(\$111,414)

***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 or asset. The following table presents the net liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$106,203	\$113,303	\$121,298

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members

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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, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	4.27 percent
Prior measurement date	2.84 percent
Cost of Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2036

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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

The most recent experience study was completed for the five year period ended December 31, 2021.

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

**Discount Rate** For 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

**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 4.27 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 (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
City's proportionate share of the net OPEB liability	\$1,579,661	\$1,282,810	\$1,032,193



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## **Note 15 - Compensated Absences**

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

## **Note 16 - Long-term Obligations**

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

Debt Issue	Interest Rate		Original Issue Amount	Year of Maturity
<b>Governmental Activities:</b>				
<i>General Obligation Bonds:</i>				
2020 Tax Exempt Refunding of 2011 Bonds	1.30	%	\$4,960,000	2027
2020 Taxable Refunding of 2013 Bonds	1.76		2,785,000	2027
<i>OPWC Loans from Direct Borrowings:</i>				
East Overlook Road, Storm and Sanitary Sewer	0		26,254	2023
Roberts Road Improvements	0		150,000	2025
Plymouth Road and Sewer	0		58,200	2025
Roberts Road Improvements - Phase 2	0		96,508	2031
Edison and Mondamin Storm Sewer	0		37,646	2032
Willowick Drive	0		105,946	2040
Stevens Boulevard Paving	0		150,000	2042
<i>Financed Purchases:</i>				
Fire Trucks	3.58		1,023,014	2026
<b>Business-Type Activities:</b>				
<i>From Direct Borrowings:</i>				
<i>OPWC Loans:</i>				
Robin/Forest/King Drive Pump Stations	0	%	\$50,000	2030
Quentin Road Pump Station	0		100,292	2032
Admiral Drive Emergency Force Main Replacement	0		18,732	2027
Plymouth Drive Storm Outfall	0		40,307	2042
<i>OWDA Loans:</i>				
Waverly Relief Sewer	1.66-2.08		5,277,693	2039
Galalina Storm Sewer	1.12		3,477,326	2042
Plymouth Drive Storm Sewer	0.92		228,436	N/A
Waverly Relief Sewer Phase 2	3.01		3,105,474	N/A

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Changes in long-term obligations of the City during 2023 were as follows:

	Balance 12/31/2022	Increase	Decrease	Balance 12/31/2023	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2020 Tax Exempt Refunding of 2011 Bonds:					
Term	\$3,530,000	\$0	\$740,000	\$2,790,000	\$750,000
2020 Taxable Refunding of 2013 Bonds:					
Term	2,045,000	0	385,000	1,660,000	405,000
<i>Total General Obligation Bonds</i>	<u>5,575,000</u>	<u>0</u>	<u>1,125,000</u>	<u>4,450,000</u>	<u>1,155,000</u>
<b>OPWC Loans from Direct Borrowings:</b>					
East Overlook Road, Storm and Sanitary Sewer	1,314	0	1,314	0	0
Roberts Road Improvements	18,750	0	11,250	7,500	7,500
Plymouth Road and Sewer	10,185	0	4,365	5,820	2,910
Roberts Road Improvements-Phase 2	43,430	0	7,238	36,192	4,825
Edison and Mondamin Storm Sewer	17,883	0	2,823	15,060	1,883
Willowick Drive	92,707	0	7,946	84,761	5,298
Stevens Boulevard Paving	146,250	0	11,250	135,000	7,500
<i>Total OPWC Loans</i>	<u>330,519</u>	<u>0</u>	<u>46,186</u>	<u>284,333</u>	<u>29,916</u>
<b>Other Long-Term Obligations:</b>					
Asset Retirement Obligations	86,499	0	18,999	67,500	0
Financed Purchases from Direct Placements	615,204	0	145,784	469,420	151,003
Leases Payable	25,690	0	7,855	17,835	7,899
Subscription Payable	37,548	0	16,963	20,585	20,585
Compensated Absences Payable	1,348,506	318,460	247,709	1,419,257	272,701
<i>Total Other Long-Term Obligations</i>	<u>2,113,447</u>	<u>318,460</u>	<u>437,310</u>	<u>1,994,597</u>	<u>452,188</u>
<b>Net Pension Liability:</b>					
OPERS	1,548,368	3,728,758	0	5,277,126	0
OP&F	11,466,618	5,648,489	0	17,115,107	0
<i>Total Net Pension Liability</i>	<u>13,014,986</u>	<u>9,377,247</u>	<u>0</u>	<u>22,392,233</u>	<u>0</u>
<b>Net OPEB Liability:</b>					
OPERS	0	104,909	0	104,909	0
OP&F	2,011,775	0	728,965	1,282,810	0
<i>Total Net OPEB Liability</i>	<u>2,011,775</u>	<u>104,909</u>	<u>728,965</u>	<u>1,387,719</u>	<u>0</u>
<b>Total Governmental Activities</b>	<u>\$23,045,727</u>	<u>\$9,800,616</u>	<u>\$2,337,461</u>	<u>\$30,508,882</u>	<u>\$1,637,104</u>

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	Balance 12/31/2022	Increase	Decrease	Balance 12/31/2023	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<b>OPWC Loans from Direct Borrowings:</b>					
Robin/Forest/King Drive Pump Stations	\$18,750	\$0	\$3,750	\$15,000	\$2,500
Quentin Road Pump Station	50,143	0	7,522	42,621	5,014
Admiral Drive Emergency Force Main Replacement	18,732	0	5,620	13,112	3,746
Plymouth Drive Storm Outfall	40,307	0	3,023	37,284	2,016
<i>Total OPWC Loans</i>	<u>127,932</u>	<u>0</u>	<u>19,915</u>	<u>108,017</u>	<u>13,276</u>
<b>OWDA Loans from Direct Borrowings:</b>					
Waverly Relief Sewer	4,507,344	0	233,224	4,274,120	238,046
Galalina Storm Sewer	3,133,094	188,192	157,792	3,163,494	159,564
Plymouth Drive Storm Outfall	147,668	11,777	10,647	148,798	0
Waverly Relief Sewer Phase 2	0	2,228,982	0	2,228,982	0
<i>Total OWDA Loans</i>	<u>7,788,106</u>	<u>2,428,951</u>	<u>401,663</u>	<u>9,815,394</u>	<u>397,610</u>
<b>Other Long-Term Obligations:</b>					
Asset Retirement Obligation	3,470,000	0	0	3,470,000	0
Compensated Absences Payable	28,147	14,179	14,253	28,073	17,465
Net Pension Liability - OPERS	116,542	305,788	0	422,330	0
Net OPEB Liability - OPERS	0	8,394	0	8,394	0
<i>Total Other Long-Term Obligations</i>	<u>3,614,689</u>	<u>328,361</u>	<u>14,253</u>	<u>3,928,797</u>	<u>17,465</u>
<b>Total Business-Type Activities</b>	<u>\$11,530,727</u>	<u>\$2,757,312</u>	<u>\$435,831</u>	<u>\$13,852,208</u>	<u>\$428,351</u>

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

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

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

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

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Year	Issue
	\$4,960,000
2024	\$750,000
2025	750,000
2026	765,000
Total Mandatory Sinking	
Fund Payments	2,265,000
Amount Due at Stated Maturity	525,000
Total	<u>\$2,790,000</u>
Stated Maturity	12/1/2027

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

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

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

Year	Issue
	\$2,785,000
2024	\$405,000
2025	410,000
2026	415,000
Total Mandatory Sinking	
Fund Payments	1,230,000
Amount Due at Stated	
Maturity	430,000
Total	<u>\$1,660,000</u>
Stated Maturity	12/1/2027

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

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$284,333 and business-type activities of \$108,017 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

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

The City's outstanding OWDA loan from direct borrowings of \$9,815,394 related to business-type activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

A line of credit has been established with OWDA in the amount of \$228,436 to cover the costs of replacing storm outfalls along Plymouth Drive and Quentin Road. The loan has an interest rate of .92 percent and will mature in 2041. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2023 is \$148,798.

A line of credit has been established with OWDA in the amount of \$3,105,474 to cover the costs of replacing sanitary sewer lines along Waverly Road. The loan has an interest rate of 3.01 percent and will mature in 2044. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2023 is \$2,228,982.

**Financed Purchases** Financed purchase obligation will be paid from the fund that maintains custody of the related assets. The Financed purchase will be paid from the fire levy capital projects fund. A summary of the principal and interest amounts for the remaining financed purchases is as follows:

Year	Principal	Interest
2024	\$151,003	\$16,805
2025	156,409	11,399
2026	162,008	5,800
	<u>\$469,420</u>	<u>\$34,004</u>

**Lease Payables and Subscription Payables** The City has outstanding agreement to lease copiers and also has various outstanding contracts to use a SBITA vendor's IT software. The future lease/subscription payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease/subscription. These leases and subscriptions will be paid from the general fund. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Leases		Subscriptions	
	Principal	Interest	Principal	Interest
2024	\$7,899	\$80	\$20,585	\$2,790
2025	7,943	36	0	0
2026	1,993	2	0	0
	<u>\$17,835</u>	<u>\$118</u>	<u>\$20,585</u>	<u>\$2,790</u>

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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

**Asset Retirement Obligation** The asset retirement obligation will be paid from the general fund and the sewer enterprise fund.

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

The City's overall legal debt margin was \$45,019,067 with an unvoted debt margin of \$16,881,814 at December 31, 2023.

Principal and interest requirements to retire governmental and business-type activities long-term obligations outstanding at December 31, 2023, were as follows:

Governmental Activities				Business-Type Activities		
	General Obligation Bonds		From Direct	From Direct	From Direct Borrowings	
	Term		Borrowings	Borrowings	OWDA Loans	
Year	Principal	Interest	OPWC Loans	OPWC Loans	Principal	Interest
2024	\$1,155,000	\$65,486	\$29,916	\$13,276	\$397,610	\$118,685
2025	1,160,000	48,608	22,416	13,277	404,143	112,152
2026	1,180,000	31,642	19,506	13,277	410,792	105,503
2027	955,000	14,394	19,506	11,405	417,559	98,737
2028	0	0	19,506	9,531	424,446	91,850
2029-2033	0	0	81,700	30,117	2,229,906	351,569
2034-2038	0	0	63,988	10,077	2,421,490	159,985
2039-2042	0	0	27,795	7,057	731,668	12,855
Total	\$4,450,000	\$160,130	\$284,333	\$108,017	\$7,437,614	\$1,051,336

## Note 17 - Jointly Governed Organization

### *Northeast Ohio Public Energy Council*

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and gas. NOPEC is currently comprised of over 240 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide electricity and gas at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the twenty-member NOPEC Board of Directors. In 2023, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio, 44139 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 405 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2023, the City paid RITA \$188,468 for income tax collection services.

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

The Lake County Communities Energy Special Improvement District (the "District") is a jointly governed organization that is to enhance the value of properties, within the District and improve the environment by developing and assisting in developing the District special energy improvement projects. For 2023, the City did not contribute to the District. For more information, contact National Registered Agents, Inc., 4400 Easton Commons Way, Suite 125, Columbus, Ohio 43219.

***Lake County Communities Shoreline Special Improvement District***

The Lake County Communities Shoreline Special Improvement District (the "District") is a jointly governed organization that is to enhance the value of properties, within the District and improve the environment by developing and assisting in developing and implementing shoreline improvement projects that abate the erosion of the shoreline. For 2023, the City did not contribute to the District. For more information, contact Kevin Butler, 600 Superior Avenue, East, Suite 2100, Cleveland, Ohio 44114.

**Note 18 - Shared Risk Pool**

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

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October, 1, 1993 and the City of University

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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Heights whose commencement date is October 1, 2008. After the initial three years, each City may extend its term in three-year increments.

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

In 2024, the City of Eastlake paid \$227,954 in premiums from the general fund, which represents 9.161 percent of the total premiums paid by all members. Financial information can be obtained by contacting Jeffrey Knoblauch, 1140 Terex Road, Hudson, Ohio 44236.

#### **Note 19 - Related Organization**

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

#### **Note 20 – Willoughby-Eastlake Joint Sewer Treatment Facility**

In 1955, the City entered into an agreement with the City of Willoughby for the purpose of financing and constructing a joint sewer treatment facility. The agreement has been amended 15 times since. The joint sewer treatment facility includes a sewer plant, outfalls and joint sewers. The sewer plant and improvements were constructed by the City of Willoughby. The outflows were constructed and financed by the City of Eastlake and conveyed to the City of Willoughby upon completion. The joint sewers were constructed by the City of Willoughby and financed jointly by both cities. The City of Willoughby holds legal title to the sewer plant and improvements made to the facility, outflows and joint sewers. The City of Willoughby operates and manages the plant and joint sewers. Each city is responsible for all sewer lines constructed within their corporate limits with connection to the joint sewer facility. The City of Willoughby bills the City of Eastlake on a monthly basis for services provided, maintenance and construction improvements of the joint sewer facilities. The billing is based upon flow measured by meters and includes a contribution for future capital improvements to the joint sewer treatment facility. The agreement has been amended for the City to contribute an amount equal to fifty percent of all costs associated with the capital improvement projects. Although the joint sewer treatment facility is managed by the Willoughby-Eastlake Joint Sewer Advisory Committee appointed by the cities of Willoughby and Eastlake, ultimately the joint sewer treatment facility is part of the City of Willoughby's reporting entity. The City paid \$1,995,645 to the City of Willoughby for the joint sewer treatment facility in 2023 which is accounted for in the City's sanitary sewer enterprise fund.

#### **Note 21 - Encumbrances**

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



**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

**Governmental Funds:**

General	\$1,574,311
Captain Stadium Improvements	380
Other Governmental Funds	277,249
<i>Total Governmental Funds</i>	<u>1,851,940</u>

**Proprietary Fund:**

Sanitary Sewer	41,871
Storm Water Management	5,250
<i>Total Proprietary Funds</i>	<u>47,121</u>
<i>Total Encumbrances</i>	<u><u>\$1,899,061</u></u>

**Note 22 – Asset Retirement Obligations**

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

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

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

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

**City of Eastlake, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Note 23 - Subsequent Events**

On January 4, 2024, the City signed an agreement with the Ohio Department of Transportation (ODOT) for work to be performed to improve Vine Street from Lakeshore Boulevard to just east of 364<sup>th</sup> street, lying within the Cities of Eastlake, Willowick, and Willoughby. The City's share of the project is estimated to be \$2,215,560 with the (ODOT) contribution additional Federal Funds for the financing of this improvement. The City paid up front their portion of the project during January 2024.

The Regional Income Tax Agency informed the City in February 2024 of a large refund request from a company. RITA is currently conducting an audit of this request but the City believes it will be approved and paid. This refund will reduce income tax collections for 2024.

The City entered into the following contracts for various construction projects. Contract with Nerone & Sons, Inc in the amount of \$560,000 for implementation of the WPCC Belt Filter Press Replacement Project. Stadium field improvements contract with CT Consultants and Infinity (CMAR) for \$699,000 for the continuation of the Captains improvements. Contract with Davis Diggers, Inc for implementation of the Hartford Road Water Main and Water Pollution Control Center Project for a total amount of \$360,457. Contract with TC Construction for the E. 347<sup>th</sup> Street pavement reconstruction for a total of \$470,800. Contract with Specialized Construction Inc. for the Lakeland Blvd. pavement resurfacing project for a total amount of \$787,242.

On November 5, 2024, the voters approved the renewal of a 0.5 mill tax levy for capital improvements and equipment for the fire department. The levy is for a period of 5 years, commencing in 2025, first due in calendar 2026.

## **Required Supplementary Information**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net Pension Liability	0.0192940%	0.0191360%	0.0186800%	0.0174930%
City's Proportionate Share of the Net Pension Liability	\$5,699,456	\$1,664,910	\$2,766,102	\$3,457,609
City's Covered Payroll	\$2,990,793	\$2,747,429	\$2,631,000	\$2,461,214
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.57%	60.60%	105.14%	140.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.0168430%	0.0154430%	0.0154640%	0.0160150%	0.0194010%	0.0194010%
\$4,612,955	\$2,422,708	\$3,511,613	\$2,773,999	\$2,339,977	\$2,287,125
\$2,274,986	\$2,040,854	\$1,999,008	\$1,993,250	\$2,378,625	\$2,522,631
202.77%	118.71%	175.67%	139.17%	98.38%	90.66%
74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability/Asset	0.0179700%	0.0178090%	0.0173970%	0.0162920%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$113,303	(\$557,806)	(\$309,941)	\$2,250,349
City's Covered Payroll	\$2,990,793	\$2,747,429	\$2,631,000	\$2,461,314
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	3.79%	-20.30%	-11.78%	91.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	128.23%	115.57%	47.80%

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

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.0157000%	0.0144200%	0.0124000%
\$2,046,910	\$1,565,906	\$1,252,442
\$2,277,236	\$2,553,004	\$2,998,508
89.89%	61.34%	41.77%
46.33%	54.14%	54.04%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net Pension Liability	0.1801774%	0.1835416%	0.1761211%	0.1717945%
City's Proportionate Share of the Net Pension Liability	\$17,115,107	\$11,466,618	\$12,006,333	\$11,572,996
City's Covered Payroll	\$4,676,094	\$4,813,873	\$4,224,613	\$3,987,448
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	366.01%	238.20%	284.20%	290.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.90%	75.03%	70.65%	69.89%

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

See accompanying notes to the required supplementary information



2019	2018	2017	2016	2015	2014
0.1708640%	0.1662910%	0.1698210%	0.1735800%	0.1820268%	0.1820270%
\$13,947,018	\$10,206,031	\$10,756,292	\$11,166,524	\$9,429,747	\$8,865,276
\$4,064,518	\$3,321,193	\$3,598,541	\$3,734,429	\$3,566,749	\$3,396,064
343.14%	307.30%	298.91%	299.02%	264.38%	261.05%
63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

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

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.1801774%	0.1835416%	0.1761211%	0.1717945%
City's Proportionate Share of the Net OPEB Liability	\$1,282,810	\$2,011,775	\$1,866,032	\$1,696,940
City's Covered Payroll	\$4,676,094	\$4,813,873	\$4,224,613	\$3,987,448
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	27.43%	41.79%	44.17%	42.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.59%	46.90%	45.40%	47.08%

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

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.1708640%	0.1662910%	0.1698210%
\$1,555,978	\$9,421,814	\$8,061,021
\$4,064,518	\$3,321,193	\$3,598,541
38.28%	283.69%	224.01%
46.57%	14.13%	15.96%

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

	2023	2022	2021	2020
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$439,324	\$418,711	\$384,640	\$368,340
Contributions in Relation to the Contractually Required Contribution	<u>(439,324)</u>	<u>(418,711)</u>	<u>(384,640)</u>	<u>(368,340)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,138,029	\$2,990,793	\$2,747,429	\$2,631,000
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (1)</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$3,138,029	\$2,990,793	\$2,747,429	\$2,631,000
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

- (1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (2) The OPEB plan includes the members from the traditional plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$344,570	\$318,498	\$265,311	\$239,881	\$239,190	\$285,435
(344,570)	(318,498)	(265,311)	(239,881)	(239,190)	(285,435)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,461,214	\$2,274,986	\$2,040,854	\$1,999,008	\$1,993,250	\$2,378,625
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
\$4	\$90	\$40,895	\$79,960		
(4)	(90)	(40,895)	(79,960)		
\$0	\$0	\$0	\$0		
\$2,461,214	\$2,277,236	\$2,553,004	\$2,998,508		
0.00%	0.00%	1.60%	2.67%		

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

	2023	2022	2021	2020
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,035,078	\$997,404	\$1,025,676	\$906,426
Contributions in Relation to the Contractually Required Contribution	<u>(1,035,078)</u>	<u>(997,404)</u>	<u>(1,025,676)</u>	<u>(906,426)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$4,858,474	\$4,676,094	\$4,813,873	\$4,224,613
Pension Contributions as a Percentage of Covered Payroll	<u>21.30%</u>	<u>21.33%</u>	<u>21.31%</u>	<u>21.46%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$24,293	\$23,380	\$24,070	\$21,123
Contributions in Relation to the Contractually Required Contribution	<u>(24,293)</u>	<u>(23,380)</u>	<u>(24,070)</u>	<u>(21,123)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.80%</u>	<u>21.83%</u>	<u>21.81%</u>	<u>21.96%</u>

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$857,583	\$874,338	\$712,177	\$772,472	\$797,325	\$761,770
<u>(857,583)</u>	<u>(874,338)</u>	<u>(712,177)</u>	<u>(772,472)</u>	<u>(797,325)</u>	<u>(761,770)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,987,448	\$4,064,518	\$3,321,193	\$3,598,541	\$3,734,429	\$3,566,749
<u>21.51%</u>	<u>21.51%</u>	<u>21.44%</u>	<u>21.47%</u>	<u>21.35%</u>	<u>21.36%</u>
\$19,938	\$20,322	\$16,606	\$17,993	\$18,672	\$17,834
<u>(19,938)</u>	<u>(20,322)</u>	<u>(16,606)</u>	<u>(17,993)</u>	<u>(18,672)</u>	<u>(17,834)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
<u>22.01%</u>	<u>22.01%</u>	<u>21.94%</u>	<u>21.97%</u>	<u>21.85%</u>	<u>21.86%</u>

**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2023

**Changes in Assumptions – OPERS Pension – Traditional Plan**

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

	2022	2019 through 2021	2018 and 2017	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

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

Amounts reported for 2017 through 2021 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.



**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2023

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

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

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

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

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

Beginning in 2023, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

Prior to 2023, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2023

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

Prior to 2023, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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

**Changes in Assumptions – OPERS OPEB**

Wage Inflation:	
2023 and 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2023 and 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent

**City of Eastlake, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2023*

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Health Care Cost Trend Rate:

2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

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

Blended Discount Rate:

2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and 2023.

**Changes in Benefit Terms – OPERS OPEB**

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

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

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

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**CITY OF EASTLAKE  
LAKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<b>Passed Through Lake County</b>			
Covid-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	20220414-CO1	\$ 2,748,490
Covid-19 Coronavirus State and Local Fiscal Recovery Fund	21.027		1,883,067
<b>Passed Through Ohio Department of Public Safety</b>			
Covid-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	AFRR-190-RET	108,000
Total U.S. Department of Treasury			<b>4,739,557</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Passed Through Office of Budget and Management</b>			
Crime Victims Assistance	16.575		39,054
Total U.S. Department of Justice			<b>39,054</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Passed Through Lake County</b>			
Community Development Block Grant	14.218	20230302-CO2	114,100
Total U.S. Department of Urban Development			<b>114,100</b>
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			
<b>Passed Through Ohio Department of Environmental Agency</b>			
Nonpoint Source Implementation Grants	66.460		2,169
Total U.S. Department of Urban Development			<b>2,169</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$4,894,880</b>

*The accompanying notes are an integral part of this schedule.*

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Eastlake, Lake County, Ohio (the City) under programs of the federal government for the year ended December 31, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

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

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

To the City Council:

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eastlake, Lake County, Ohio (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the 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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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

A handwritten signature in black ink, appearing to read "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

December 5, 2024





65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

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

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

To the City Council:

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

***Opinion on the Major Federal Program***

We have audited City of Eastlake's, Ohio (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City of Eastlake's major federal program for the year ended December 31, 2023. The City of Eastlake's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the City of Eastlake complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

December 5, 2024

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**CITY OF EASTLAKE  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2023**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	AL 21.027 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Not Low Risk

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

None noted.

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

None noted.

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF EASTLAKE**

**LAKE COUNTY**

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

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



**Certified for Release 12/31/2024**

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

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