

**CITY OF LORAIN
LORAIN COUNTY, OHIO**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

Zupka & Associates
Certified Public Accountants

**CITY OF LORAIN
LORAIN COUNTY, OHIO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

City of Lorain
Lorain County
200 West Erie Avenue
Lorain, Ohio 44052

To the Members of City Council:

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Lorain County, Ohio, (the City) as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund, Streets Fund and American Rescue Plan Fund for the year then ended in accordance with 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 (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 Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. 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 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 October 31, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



Zupka & Associates
Certified Public Accountants

October 31, 2024

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CITY OF LORAIN
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
UNAUDITED

The discussion and analysis of the City of Lorain's ("the City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are:

- On January 27, 2023, Moody's Investors Service upgraded the City's general obligation limited tax bond rating from A3 to A2.
- In 2023 income tax collections, the City's largest source of general revenue, increased by approximately 7% over 2022.
- With a combination of \$4.9 million in Ohio Department of Development Brownfield grant funds and \$1.6 million in American Rescue Plan grant funds the City began the pollution remediation process on three brownfield sites within the City to prepare them for future economic development.
- The City entered into a \$7.7 million financed purchase obligation on December 21, 2023, for the purpose of purchasing new equipment for street, parks, cemetery, storm sewer, police, fire, and utilities operations.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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Proprietary Funds

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

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

The proprietary fund financial statements can be found beginning on page 30 of this report.

Fiduciary Funds

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

The fiduciary fund financial statement can be found on pages 33-34 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-102 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements are the required supplementary information and notes to the required supplementary information related to the net pension liability and net OPEB liability. This information can be found on pages 103 through 113 of the report.

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Government-Wide Financial Analysis

The Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position at December 31, 2023 as compared to December 31, 2022.

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets | | | | | | |
| Current and Other Assets | \$ 83,290,210 | \$ 81,894,670 | \$ 48,354,756 | \$ 50,020,013 | \$ 131,644,966 | \$ 131,914,683 |
| Capital Assets, Net | 155,499,806 | 139,559,901 | 224,472,977 | 220,905,100 | 379,972,783 | 360,465,001 |
| <i>Total Assets</i> | <u>238,790,016</u> | <u>221,454,571</u> | <u>272,827,733</u> | <u>270,925,113</u> | <u>511,617,749</u> | <u>492,379,684</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferral on Refunding | 651,908 | 721,462 | - | - | 651,908 | 721,462 |
| Asset Retirement Obligation | - | - | 99,949 | 107,638 | 99,949 | 107,638 |
| Pension | 28,987,205 | 16,125,212 | 7,221,404 | 2,721,772 | 36,208,609 | 18,846,984 |
| OPEB | 4,525,248 | 3,359,132 | 1,085,576 | 103,111 | 5,610,824 | 3,462,243 |
| <i>Total Deferred Outflows of Resources</i> | <u>34,164,361</u> | <u>20,205,806</u> | <u>8,406,929</u> | <u>2,932,521</u> | <u>42,571,290</u> | <u>23,138,327</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 21,291,142 | 25,401,855 | 2,904,708 | 3,487,786 | 24,195,850 | 28,889,641 |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 10,680,760 | 8,590,926 | 9,588,719 | 8,597,196 | 20,269,479 | 17,188,122 |
| Due in More Than One Year | | | | | | |
| Net Pension Liability | 73,003,581 | 38,609,016 | 16,861,958 | 4,681,429 | 89,865,539 | 43,290,445 |
| Net OPEB Liability | 4,448,852 | 5,780,510 | 350,779 | - | 4,799,631 | 5,780,510 |
| Asset Retirement Obligation | - | - | 384,425 | 384,425 | 384,425 | 384,425 |
| Other Amounts | 56,133,961 | 59,667,036 | 104,838,548 | 104,522,691 | 160,972,509 | 164,189,727 |
| <i>Total Liabilities</i> | <u>165,558,296</u> | <u>138,049,343</u> | <u>134,929,137</u> | <u>121,673,527</u> | <u>300,487,433</u> | <u>259,722,870</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 5,783,673 | 5,706,854 | - | - | 5,783,673 | 5,706,854 |
| Payments in Lieu of Taxes | 1,889,443 | 1,391,435 | - | - | 1,889,443 | 1,391,435 |
| Pension | 3,670,874 | 19,290,832 | 146,834 | 5,792,537 | 3,817,708 | 25,083,369 |
| OPEB | 4,660,268 | 4,691,363 | 118,146 | 1,788,248 | 4,778,414 | 6,479,611 |
| <i>Total Deferred Inflows of Resources</i> | <u>16,004,258</u> | <u>31,080,484</u> | <u>264,980</u> | <u>7,580,785</u> | <u>16,269,238</u> | <u>38,661,269</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 108,542,535 | 89,546,699 | 112,708,544 | 106,989,249 | 221,251,079 | 196,535,948 |
| Restricted | 23,094,887 | 21,571,683 | 4,500,758 | 4,010,942 | 27,595,645 | 25,582,625 |
| Unrestricted (Deficit) | (40,245,599) | (38,587,832) | 28,831,243 | 33,603,131 | (11,414,356) | (4,984,701) |
| <i>Total Net Position</i> | <u>\$ 91,391,823</u> | <u>\$ 72,530,550</u> | <u>\$ 146,040,545</u> | <u>\$ 144,603,322</u> | <u>\$ 237,432,368</u> | <u>\$ 217,133,872</u> |

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2023 and is reported pursuant to GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27". The City previously adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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

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

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

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

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

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

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. For the City, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$237,432,368 at December 31, 2023.

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

Total net position increased from 2022 to 2023. The increase in total assets is essentially the result of increases in capital assets. The changes in net pension liability, net OPEB liability, net OPEB asset, deferred inflows and outflows of resources for pension and OPEB are due to the recording of GASB Statement No. 68 and GASB 75. Total liabilities excluding net pension liability and net OPEB liability decreased from 2022 to 2023 by \$4,829,652 primarily as a result of the reduction of unspent proceeds related to ARPA funding money that is required to be reported as an unearned revenue liability.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 2 shows the changes in net position for the years ended December 31, 2023 and 2022 and corresponds to the Statement of Activities.

Table 2
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 12,923,623 | \$ 12,328,571 | \$ 31,794,675 | \$ 31,360,940 | \$ 44,718,298 | \$ 43,689,511 |
| Operating Grants and Contributions | 15,949,975 | 16,006,974 | - | - | 15,949,975 | 16,006,974 |
| Capital Grants and Contributions | 12,654,241 | 5,536,126 | 451,354 | 593,666 | 13,105,595 | 6,129,792 |
| <i>Total Program Revenues</i> | <u>41,527,839</u> | <u>33,871,671</u> | <u>32,246,029</u> | <u>31,954,606</u> | <u>73,773,868</u> | <u>65,826,277</u> |
| General Revenues: | | | | | | |
| Property Taxes | 5,717,142 | 5,200,087 | - | - | 5,717,142 | 5,200,087 |
| Municipal Income Taxes | 32,055,998 | 29,709,698 | - | - | 32,055,998 | 29,709,698 |
| Payments in Lieu of Taxes | 1,210,768 | 1,670,262 | - | - | 1,210,768 | 1,670,262 |
| Grants and Entitlements not Restricted to Specific Programs | 4,430,576 | 4,827,236 | - | - | 4,430,576 | 4,827,236 |
| Franchise Fees | 611,404 | 653,253 | - | - | 611,404 | 653,253 |
| Interest | 3,519,295 | (537,657) | - | - | 3,519,295 | (537,657) |
| All Other Revenue | 266,286 | 924,851 | 193,920 | 90,559 | 460,206 | 1,015,410 |
| <i>Total General Revenues</i> | <u>47,811,469</u> | <u>42,447,730</u> | <u>193,920</u> | <u>90,559</u> | <u>48,005,389</u> | <u>42,538,289</u> |
| Total Revenues | <u>89,339,308</u> | <u>76,319,401</u> | <u>32,439,949</u> | <u>32,045,165</u> | <u>121,779,257</u> | <u>108,364,566</u> |
| Program Expense: | | | | | | |
| General Government | 19,659,433 | 15,110,727 | - | - | 19,659,433 | 15,110,727 |
| Security of Persons and Property | 36,215,914 | 26,673,507 | - | - | 36,215,914 | 26,673,507 |
| Transportation | 7,107,654 | 6,006,946 | - | - | 7,107,654 | 6,006,946 |
| Public Health | 424,795 | 314,117 | - | - | 424,795 | 314,117 |
| Community and Environment | 2,338,356 | 5,054,463 | - | - | 2,338,356 | 5,054,463 |
| Economic Development | 2,206,872 | 8,092,472 | - | - | 2,206,872 | 8,092,472 |
| Leisure Time Activities | 1,162,586 | 693,025 | - | - | 1,162,586 | 693,025 |
| Interest and Fiscal Charges | 1,464,259 | 1,495,425 | - | - | 1,464,259 | 1,495,425 |
| Water Works | - | - | 13,525,012 | 12,373,100 | 13,525,012 | 12,373,100 |
| Water Pollution Control | - | - | 17,375,880 | 14,219,972 | 17,375,880 | 14,219,972 |
| Total Expenses | <u>70,579,869</u> | <u>63,440,682</u> | <u>30,900,892</u> | <u>26,593,072</u> | <u>101,480,761</u> | <u>90,033,754</u> |
| Increase (Decrease) in Net Position | | | | | | |
| Before Transfers | 18,759,439 | 12,878,719 | 1,539,057 | 5,452,093 | 20,298,496 | 18,330,812 |
| Transfers | 101,834 | 104,566 | (101,834) | (104,566) | - | - |
| Increase in Net Position | 18,861,273 | 12,983,285 | 1,437,223 | 5,347,527 | 20,298,496 | 18,330,812 |
| Net Position, January 1 | 72,530,550 | 59,547,265 | 144,603,322 | 139,255,795 | 217,133,872 | 198,803,060 |
| Net Position, December 31 | <u>\$ 91,391,823</u> | <u>\$ 72,530,550</u> | <u>\$ 146,040,545</u> | <u>\$ 144,603,322</u> | <u>\$ 237,432,368</u> | <u>\$ 217,133,872</u> |

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Program revenues increased in 2023. This increase can be predominantly attributed to capital grants and contributions. The increase in capital grants and contributions is a result of state grants received for the Black River Dredge Reuse Facility project. While program revenues provide considerable assistance in the provision of governmental services, the burden of governmental support is met by general revenues such as municipal income taxes, property taxes, and unrestricted grants and entitlements. For Governmental activities, general revenues increased by \$5,363,739 from the prior year due to an increase in interest and income taxes.

Governmental Activities

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

In 2012, an additional .25 percent was approved by the citizens of Lorain for the Streets (money collected is in the streets special revenue fund). In 2023, the revenue from municipal income taxes increased by \$2,346,300. The increase was a result of the economy continuing to rebound during 2023 from the COVID-19 pandemic. The income tax credit in effect for 2023 and future years is 100 percent of the tax paid to another city up to a maximum of 2.00 percent.

All other revenues decreased by \$658,565 primarily as a result of a reduction in contractual debt service shortfall payments required from third parties. Interest revenue increased by \$4,056,952 from 2022 to 2023 due to the variation in unrealized gains and losses from year to year required to be reported in the financial statements.

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

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

Total governmental program expenses for 2023 increased by \$7,139,187 as compared to 2022. This increase directly corresponds to GASB 68 and 75 increases in net pension liability and the resulting increase in governmental expenses recorded.

Excluding the expense related to GASB 68 and 75, expenditures increased \$4,950,307 from 2022, due to an increase in expenditures for payroll, compensated absences, and other City services.

Expenditures for economic development decreased by approximately \$6.2 million due primarily to the variance in expenditures for the US EPA Lower Black River Area of Concern Remediation and Restoration Project in 2023 as compared to 2022. The City paid for these from grant revenues.

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General government expenses include the functions of the legislative, executive and judicial branches of the City and include the operations of the auditor, treasurer, engineering and electrical departments. The general government expenses increased approximately by \$4.5 million.

Business-Type Activities

Utility services for water and water pollution control saw an increase in charges for services of \$433,735 essentially as a result of an increase in usage as rates for both water and sewer remained steady in 2023.

2022 lead service line replacement, water distribution plant parking lot improvements, and the Black River Wastewater Treatment Plant primary clarifier rehabilitation were completed in 2023. Other projects were continued or undertaken including the design phase of a new water treatment plant, the Red Hill boosted pressure zone improvement project, 2023 water lead service line replacement program, year 4 of the sewer relining project, and additional improvements and upgrades to the Black River Wastewater Treatment Plant primary digester.

The City's Funds

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

As of the end of the current year, the City of Lorain's governmental funds reported combined ending fund balances of \$45,309,436 an increase of \$4,988,336 in comparison with the prior year. Non-spendable fund balance of \$847,531 includes material and supplies inventory, prepaid expenses, and unclaimed monies. Fund balance in the amount of \$22,847,727 is restricted to indicate that it is not available for new spending because it has already been restricted by parties outside of the City or pursuant to enabling legislation. It is restricted for economic development, inventory held for resale, debt service, police and municipal court operations, and capital projects. Fund balance in the amount of \$6,456,580 is committed to storm sewer maintenance and improvements, contractual obligations, and funds set aside for compensated absences and payroll reserve. Assigned fund balance includes \$6,738,810 for general governmental purchases on order in various departments and use of current resources for future budgeted purchases.

The General Fund is the main operating fund of the City. The increase in fund balance is primarily due to a gain in interest earned on investments. Streets Fund accounts for gas tax and auto registration distributions to be used to fund streets construction, maintenance and repairs. Also, the City allocates a portion of municipal income taxes to assist in fund street projects. The fund ended with a fund balance of \$4,777,218. American Rescue Plan Fund accounts for the federal funding relating to the recovery from the COVID-19 pandemic. The fund had unspent proceeds of \$10,621,758.

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General Fund Budgeting Highlights

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

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

During the course of 2023, the City amended its General Fund budget numerous times. The actual revenue amount was greater than the final budget. In 2023, the largest amendment of \$914,490 was made to the original budget to account for the proceeds of a financed purchase of various equipment. The funds were advanced and placed into an escrow account. An amendment of \$560,230 was made to account for ARPA revenue replacement funds being credited to the General Fund for a security update to City Hall and additional budget increases of 292,831 were posted for various Federal, State, and County grants awarded throughout the year. Additional amendments were made for the receipt of additional revenue from the sale of obsolete equipment, and various other small donations, refunds and reimbursements.

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

Appropriation amendments, in addition to the revenue enhancements described above, encompassed an additional \$389,130 which included a provision for \$200,000 in advances out in the event it became necessary at year end to temporarily subsidize grant special revenue funds due to negative cash flow. The balance of the appropriations were necessary for funding increased fuel costs for the City's vehicles and equipment and other material and supplies and minor contractual items.

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

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Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets (Net of Depreciation/Amortization)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 10,734,627 | \$ 10,785,227 | \$ 1,151,315 | \$ 1,151,315 | \$ 11,885,942 | \$ 11,936,542 |
| Easements | 6,670,008 | 6,670,008 | - | - | 6,670,008 | 6,670,008 |
| Construction in Progress | 20,823,053 | 9,757,047 | 26,401,847 | 21,862,909 | 47,224,900 | 31,619,956 |
| Buildings and Improvements | 26,252,334 | 26,396,429 | 19,835,069 | 17,860,679 | 46,087,403 | 44,257,108 |
| Machinery and Equipment | 15,525,462 | 13,966,694 | 10,573,935 | 10,879,250 | 26,099,397 | 24,845,944 |
| Furniture and Fixtures | 196,714 | 208,496 | 29,100 | 29,719 | 225,814 | 238,215 |
| Intangible right-to-use Equipment | 54,375 | 89,267 | 11,397 | 18,712 | 65,772 | 107,979 |
| Infrastructure: | | | | | | |
| Streets and Sidewalks | 75,243,233 | 71,686,733 | - | - | 75,243,233 | 71,686,733 |
| Water Lines | - | - | 59,480,399 | 59,922,941 | 59,480,399 | 59,922,941 |
| Sewer Lines | - | - | 106,989,915 | 109,179,575 | 106,989,915 | 109,179,575 |
| <i>Total Capital Assets</i> | <i>\$ 155,499,806</i> | <i>\$ 139,559,901</i> | <i>\$ 224,472,977</i> | <i>\$ 220,905,100</i> | <i>\$ 379,972,783</i> | <i>\$ 360,465,001</i> |

The most significant increase in governmental capital assets was in construction in progress. The increase is due to the City performing numerous projects throughout the City.

Business-type activity saw an increase in construction in progress and is directly associated with construction projects including the East Lorain Waterlines, Water Treatment Plant, Water Main Replacement Program Year 1, Water Distribution Parking Lot Improvement, 2022 Lead Service Line Replacement, and Red Hill Boosted Pressure Zone Improvement.

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

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

Long-Term Obligations

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

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LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 4
Outstanding Long-Term Obligations at Year End

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General Obligation Bonds | \$ 35,842,125 | \$ 40,068,787 | \$ - | \$ - | \$ 35,842,125 | \$ 40,068,787 |
| Special Assessment Bonds | 1,060,052 | 1,182,003 | - | - | 1,060,052 | 1,182,003 |
| OWDA Loans | - | - | 109,812,218 | 111,106,973 | 109,812,218 | 111,106,973 |
| Net Pension Liability | 73,003,581 | 38,609,016 | 16,861,958 | 4,681,429 | 89,865,539 | 43,290,445 |
| Net OPEB Liability | 4,448,852 | 5,780,510 | 350,779 | - | 4,799,631 | 5,780,510 |
| ODOD Loan | - | - | - | - | - | - |
| OPWC Loans | 1,059,190 | 1,263,648 | - | - | 1,059,190 | 1,263,648 |
| ODOT Loans | 3,835,957 | 4,384,021 | - | - | 3,835,957 | 4,384,021 |
| Installment Loans | 4,294,147 | 4,619,147 | - | - | 4,294,147 | 4,619,147 |
| Financed Lease Purchases | 6,703,572 | 2,890,050 | 2,766,758 | 304,111 | 9,470,330 | 3,194,161 |
| Leases Payable | 53,523 | 88,938 | 11,220 | 18,644 | 64,743 | |
| Intergovernmental Payable | 131,900 | 131,900 | - | - | 131,900 | 131,900 |
| Pollution Remediation | 4,798,340 | 6,289,439 | - | - | 4,798,340 | 6,289,439 |
| Asset Retirement Obligation | - | - | 384,425 | 384,425 | 384,425 | 384,425 |
| Compensated Absences | 9,035,915 | 7,340,029 | 1,837,071 | 1,690,159 | 10,872,986 | 9,030,188 |
| <i>Total</i> | \$ 144,267,154 | \$ 112,647,488 | \$ 132,024,429 | \$ 118,185,741 | \$ 276,291,583 | \$ 230,725,647 |

The ten general obligation bonds include the 2003 Park and Street Improvement, 2011 Street Improvement, 2011 Police and Fire Pension Liability Refunding, 2017 Pellet Terminal Refunding, 2017 W. Erie Ave. Street Improvement, 2017 Fire Improvement, the 2019 Service Complex, and the 2020 Health Claims Refunding bonds.

Also included are the 2020 and 2021 Refunding bonds for the 2000 Riverfront Urban Renewal Phase I, 2002 Safety/Service, 2006 and 2012 Lighthouse Village, 2007 Heritage, 2007 Colorado Ave./US Rt. 6, , 2013 and 2014 Street Improvements and the 2013 Property Acquisition bonds.

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

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

The thirty-four Ohio Water Development Authority (OWDA) loans are for water and sewer projects dating back to 2003. The major loans are for waterline replacements, projects related to the sanitary sewer overflow (SSO) project mandated by the Environmental Protection Agency, and upgrades to the Black River Wastewater Treatment Plant.

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

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LORAIN COUNTY, OHIO
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FOR THE YEAR ENDED DECEMBER 31, 2023
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The twelve Ohio Public Works Commission (OPWC) loans represent interest free loans obtained to finance road improvement projects throughout the City. These loans are paid from monies transferred into the General Obligation Debt Service Fund from the General Fund.

The five Ohio Department of Transportation (ODOT) state infrastructure bank (SIB) loans are for the rehabilitation and repaving of various local roadways. A portion of the debt service paid is from state gas tax revenue and municipal income tax revenue pledged from the Streets fund and permissive license tax revenue pledged from the Permissive License fund.

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

During 2023, the City entered into a new lease in the amount of \$7,700,000 for various equipment and vehicles. In previous years the City entered into leases for equipment and fleet vehicles for streets, parks, cemetery, police, fire, building department, water and water pollution control. The minimum lease payments required are paid from the General Fund, Streets, Cemetery, Parkland, Fire Levy, and Police Levy special revenue funds, and the Water Works and Water Pollution Control enterprise funds.

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

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

The City of Lorain's general obligation limited tax rating was upgraded from A3 to A2 reflecting the City's continued progress toward bolstering its operating fund balance and liquidity. See Notes 12 and 13 to the basic financial statements for additional information on the City's outstanding debt obligations.

Economic Factors and Current Financial Issues

The City remains diligent in addressing economic issues affecting the City and management continues to promote diversification of employment within its boundaries. In 2023, employment in the health care sector remained steady as Mercy Health and Cleveland Clinic ranked first and third in the top employers in the City. A total of 2,262 employees at both facilities worked during 2023. Lorain City School district ranked second with 900 employees, Wal-Mart, a retail establishment, ranked fourth with 669 full time employees, and Camaco, LLC, the largest independent supplier of engineered seat frames to the North American automotive industry, ranked fifth in employment within the City with 460 employees. In December 2023 the seasonally unadjusted unemployment rate for the City was 5.3 percent, down from 5.6 percent in December 2022. Meanwhile, the December 2023 unemployment rate for Lorain County was 4.4 percent and the State of Ohio was 3.7 percent (based on the Ohio Job & Family Services, Bureau of Labor Market Information).

The City's 2023 residential/agricultural real estate property values showed an increase of nine percent over the prior year. In 2023, property tax collections were the General Fund's fourth largest source of revenue. In 2023, the City collected \$2,689,793 from the property tax collections for the General Fund.

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This was \$229,988 more than that collected in 2022 and can be attributed primarily to the growth of public utility personal property valuations.

On an annual basis, personnel costs equal approximately 76% of the City's General Fund expenditures.

All bargaining units' contracts expired on December 31, 2022. Bargaining unit contracts that expired were the Lorain Firefighters Association-IAF Local 267, Fraternal Order of Police Lodge No. 3 Lorain, United Steel Workers of America Local 6621, Ohio Patrolman's Benevolent Association (Dispatchers), and Fraternal Order of Police Ohio Labor council Inc. (Corrections Officers). In 2023 negotiations were underway with the above referenced bargaining units with the expectation of settlement coming in early 2024. It is anticipated that any terms negotiated will be retroactive to January 1, 2023, and it is unknown at this time what the possible terms of those contracts will be so the financial impact is not known by management at this time. Additionally, any wage increase negotiated by the United Steel Workers of America Local 6621 will also be in effect for the management and non-bargaining positions in the City.

Personnel costs continue to be the General fund's largest and most challenging expenditure and will require careful analysis when renegotiated to ensure current revenue streams can continue to meet the financial requirements for those costs.

The City's housing growth continued into 2023. The Villages at Lighthouse Point is a \$62 million-dollar development with an estimated 300 apartments. Phase I and II of the development is now complete with 198 units constructed along with a clubhouse. Phase III of the development, with another 88 units planned, is currently underway. The Sandy Springs development on Oak Point Road is slated to construct 150 housing units. Fifty lots have been sold and several homes have been completed to date. Construction of new homes at the Harborwalk housing development has restarted after a long hiatus. Affordable housing continues to be a priority for the City.

In conjunction with the remediation of the former Stove Works site the City is in the planning stages of constructing new affordable housing on the location.

The estimated value of all building permits issued by the City in 2023 was \$77,270,566 as compared to \$43,496,175 in 2022. The increase is directly related to the housing developments mentioned above and also includes the nearly \$6 million Campana Park project and numerous other smaller projects.

Other projects in process throughout the City undertaken to enhance outdoor activities for the health and recreation of its citizens, promote economic development and environmental enhancement and remediation.

The \$5.2 million Campana Park project which will upgrade the park facilities including the Pipeyard baseball park is currently underway. The Campana Park project is utilizing funds from Ohio Department of Natural Resources, Lorain City Schools, and a portion of the City's ARPA revenue replacement funds for the improvements and is expected to be completed in 2024.

The \$5.3 million Pellet Terminal pollution remediation project which is utilizing \$4,025,899 in Ohio Department of Development brownfield grants and \$1,355,975 of the City's ARPA grant funds, will prepare the property with Lake Erie and Black River frontage for development.

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The \$15 million Dredge Reuse facility, the first in the United States, which will facilitate the alternative use of dredged sediment from the Black River for use as marketable soils and farm amendments is projected to be placed in service by the fall of 2024.

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

Contacting the City's Finance Department

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

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

Joseph Koziura, Auditor
Joe_Koziura@cityoflorain.org
or
Anita J. Harper, Chief Deputy Auditor
Anita_Harper@cityoflorain.org

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

Basic Financial Statements

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 48,004,976 | \$ 38,743,853 | \$ 86,748,829 |
| Cash and Cash Equivalents: | | | |
| In Segregated Accounts | 172,440 | - | 172,440 |
| With Fiscal Agents | 5,191,545 | 2,766,758 | 7,958,303 |
| Materials and Supplies Inventory | 892,785 | 1,265,775 | 2,158,560 |
| Accounts Receivable | 229,287 | 4,530,212 | 4,759,499 |
| Accrued Interest Receivable | 249,616 | - | 249,616 |
| Intergovernmental Receivable | 6,891,821 | 92,623 | 6,984,444 |
| Internal Balances | (900,295) | 900,295 | - |
| Prepaid Items | 192,674 | 54,594 | 247,268 |
| Municipal Income Taxes Receivable | 5,254,479 | - | 5,254,479 |
| Property Taxes Receivable | 6,532,060 | - | 6,532,060 |
| Payments in Lieu of Taxes Receivable | 1,845,783 | - | 1,845,783 |
| Loans Receivable | 5,122,908 | 646 | 5,123,554 |
| Special Assessments Receivable | 2,375,054 | - | 2,375,054 |
| Assets held for Resale | 1,190,763 | - | 1,190,763 |
| Leases Receivable | 44,314 | - | 44,314 |
| Nondepreciable Capital Assets | 38,227,688 | 27,553,162 | 65,780,850 |
| Depreciable/Amortized Capital Assets | 117,272,118 | 196,919,815 | 314,191,933 |
| Total Assets | 238,790,016 | 272,827,733 | 511,617,749 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferral on Refunding | 651,908 | - | 651,908 |
| Asset Retirement Obligation | - | 99,949 | 99,949 |
| Pension | 28,987,205 | 7,221,404 | 36,208,609 |
| OPEB | 4,525,248 | 1,085,576 | 5,610,824 |
| Total Deferred Outflows of Resources | 34,164,361 | 8,406,929 | 42,571,290 |
| LIABILITIES | | | |
| Accounts Payable | 866,544 | 201,886 | 1,068,430 |
| Contracts Payable | 1,884,415 | 1,928,741 | 3,813,156 |
| Accrued Wages and Benefits | 1,153,098 | 336,623 | 1,489,721 |
| Intergovernmental Payable | 1,243,061 | 277,927 | 1,520,988 |
| Matured Compensated Absences Payable | 191,277 | - | 191,277 |
| Accrued Interest Payable | 161,882 | - | 161,882 |
| Retainage Payable | 221,619 | 159,531 | 381,150 |
| Claims Payable | 961,748 | - | 961,748 |
| Unearned Revenue | 14,607,498 | - | 14,607,498 |
| Long-term Liabilities: | | | |
| Due within one year | 10,680,760 | 9,588,719 | 20,269,479 |
| Due in more than one year: | | | |
| Net Pension Liability | 73,003,581 | 16,861,958 | 89,865,539 |
| Net OPEB Liability | 4,448,852 | 350,779 | 4,799,631 |
| Asset Retirement Obligation | - | 384,425 | 384,425 |
| Other amounts | 56,133,961 | 104,838,548 | 160,972,509 |
| Total Liabilities | 165,558,296 | 134,929,137 | 300,487,433 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes | 5,783,673 | - | 5,783,673 |
| Payments in Lieu of Taxes and Leases | 1,889,443 | - | 1,889,443 |
| Pension | 3,670,874 | 146,834 | 3,817,708 |
| OPEB | 4,660,268 | 118,146 | 4,778,414 |
| Total Deferred Inflows of Resources | 16,004,258 | 264,980 | 16,269,238 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 108,542,535 | 112,708,544 | 221,251,079 |
| Restricted for: | | | |
| Capital Projects | 1,705,046 | - | 1,705,046 |
| Utility Reserve | - | 4,500,758 | 4,500,758 |
| Debt Service | 1,549,227 | - | 1,549,227 |
| Police | 3,875,364 | - | 3,875,364 |
| Fire | 655,766 | - | 655,766 |
| Streets | 3,203,282 | - | 3,203,282 |
| Community Development | 10,120,882 | - | 10,120,882 |
| Municipal Courts | 865,057 | - | 865,057 |
| Other Purposes | 1,120,263 | - | 1,120,263 |
| Unrestricted | (40,245,599) | 28,831,243 | (11,414,356) |
| Total Net Position | \$ 91,391,823 | \$ 146,040,545 | \$ 237,432,368 |

See accompanying notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| | | | | | | Total | |
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| Security of Persons and Property | \$ 36,215,914 | \$ 1,087,187 | \$ 1,526,498 | \$ 441,395 | \$ (33,160,834) | \$ (33,160,834) | |
| Public Health | 424,795 | 175,022 | - | - | (249,773) | (249,773) | |
| Leisure Time Activities | 1,162,586 | 3,586 | - | 1,532,414 | 373,414 | 373,414 | |
| Community and Environment | 2,338,356 | 1,196,272 | - | 1,877,204 | 735,120 | 735,120 | |
| Transportation | 7,107,654 | 79,360 | 4,936,583 | 1,383,072 | (708,639) | (708,639) | |
| General Government | 19,659,433 | 10,349,943 | 6,692,243 | 7,420,156 | 4,802,909 | 4,802,909 | |
| Economic Development | 2,206,872 | 32,253 | 2,794,651 | - | 620,032 | 620,032 | |
| Interest and Fiscal Charges | 1,464,259 | - | - | - | (1,464,259) | (1,464,259) | |
| Total Governmental activities | 70,579,869 | 12,923,623 | 15,949,975 | 12,654,241 | (29,052,030) | (29,052,030) | |
| Business-type activities: | | | | | | | |
| Water Works | 13,525,012 | 14,687,818 | - | 451,354 | - | 1,614,160 | |
| Water Pollution Control | 17,375,880 | 17,106,857 | - | - | - | (269,023) | |
| Total Business-type activities | 30,900,892 | 31,794,675 | - | 451,354 | - | 1,345,137 | |
| Total | \$ 101,480,761 | \$ 44,718,298 | \$ 15,949,975 | \$ 13,105,595 | (29,052,030) | 1,345,137 | |
| General Revenues: | | | | | | | |
| Property Taxes levied for: | | | | | | | |
| General Purposes | | | | 2,699,048 | - | 2,699,048 | |
| Debt Service Purpose | | | | 942,353 | - | 942,353 | |
| Police Pension | | | | 284,655 | - | 284,655 | |
| Fire Pension | | | | 284,655 | - | 284,655 | |
| Fire Levy | | | | 1,506,431 | - | 1,506,431 | |
| Municipal Income Taxes levied for: | | | | | | | |
| General Purposes | | | | 25,801,626 | - | 25,801,626 | |
| Streets | | | | 3,127,186 | - | 3,127,186 | |
| Police Levy | | | | 3,127,186 | - | 3,127,186 | |
| Franchise Fees | | | | 611,404 | - | 611,404 | |
| Payments in Lieu of Taxes | | | | 1,210,768 | - | 1,210,768 | |
| Grants & Entitlements not restricted to specific programs | | | | 4,430,576 | - | 4,430,576 | |
| Interest | | | | 3,519,295 | - | 3,519,295 | |
| All Other Revenues | | | | 266,286 | 193,920 | 460,206 | |
| Total General Revenues | | 47,811,469 | | 193,920 | | 48,005,389 | |
| Transfers | | | | 101,834 | (101,834) | - | |
| Total General Revenues and Transfers | | | | 47,913,303 | 92,086 | 48,005,389 | |
| Change in Net Position | | | | 18,861,273 | 1,437,223 | 20,298,496 | |
| Net Position - Beginning of Year | | | | 72,530,550 | 144,603,322 | 217,133,872 | |
| Net Position - End of Year | | | | \$ 91,391,823 | \$ 146,040,545 | \$ 237,432,368 | |

See accompanying notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

| | General Fund | Streets Fund | American Rescue Plan Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|----------------------------------|---------------------------------|---------------------------------|
| ASSETS | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 17,742,367 | \$ 907,182 | \$ 11,187,979 | \$ 17,803,576 | \$ 47,641,104 |
| Cash and Cash Equivalents: | | | | | |
| In Segregated Accounts | 172,440 | - | - | - | 172,440 |
| With Fiscal Agents | 904,474 | 2,932,000 | - | 1,355,071 | 5,191,545 |
| Materials and Supplies Inventory | 55,114 | 346,830 | - | 153,414 | 555,358 |
| Accrued Interest Receivable | 249,616 | - | - | - | 249,616 |
| Accounts Receivable | 229,287 | - | - | - | 229,287 |
| Interfund Receivable | 225,462 | - | - | 80,585 | 306,047 |
| Intergovernmental Receivable | 1,994,119 | 1,442,298 | - | 3,455,404 | 6,891,821 |
| Prepaid Items | 70,298 | 10,645 | - | 108,248 | 189,191 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 102,982 | - | - | - | 102,982 |
| Municipal Income Taxes Receivable | 4,203,583 | 525,448 | - | 525,448 | 5,254,479 |
| Property Taxes Receivable | 3,162,016 | - | - | 3,370,044 | 6,532,060 |
| Special Assessments Receivable | 844,426 | - | - | 1,530,628 | 2,375,054 |
| Loans Receivable | - | - | - | 5,122,908 | 5,122,908 |
| Leases Receivable | 44,314 | - | - | - | 44,314 |
| Payments in Lieu of Taxes Receivable | - | - | - | 1,845,783 | 1,845,783 |
| Assets held for Resale | - | - | - | 1,190,763 | 1,190,763 |
| Total Assets | \$ 30,000,498 | \$ 6,164,403 | \$ 11,187,979 | \$ 36,541,872 | \$ 83,894,752 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 296,916 | \$ 19,068 | \$ - | \$ 538,418 | \$ 854,402 |
| Accrued Wages and Benefits | 889,285 | 70,341 | 34,386 | 145,016 | 1,139,028 |
| Contracts Payable | 79,925 | 25,552 | 12,540 | 1,766,398 | 1,884,415 |
| Intergovernmental Payable | 701,642 | 57,717 | 27,786 | 443,993 | 1,231,138 |
| Matured Compensated Absences Payable | 187,455 | 1,911 | - | 1,911 | 191,277 |
| Retainage Payable | - | - | - | 221,619 | 221,619 |
| Interfund Payable | 134,503 | 52,395 | - | 233,480 | 420,378 |
| Unearned Revenue | 1,671,721 | - | 10,621,758 | 2,314,019 | 14,607,498 |
| Total Liabilities | 3,961,447 | 226,984 | 10,696,470 | 5,664,854 | 20,549,755 |
| Deferred Inflows of Resources: | | | | | |
| Property Taxes | 2,779,510 | - | - | 3,004,163 | 5,783,673 |
| Payments in Lieu of Taxes and Leases | 43,660 | - | - | 1,845,783 | 1,889,443 |
| Unavailable Revenue - Delinquent Property Taxes | 382,506 | - | - | 365,881 | 748,387 |
| Unavailable Revenue - Municipal Income Taxes | 1,894,206 | 236,776 | - | 236,776 | 2,367,758 |
| Unavailable Revenue - Other | 2,373,935 | 923,425 | - | 3,948,940 | 7,246,300 |
| Total Deferred Inflows of Resources | 7,473,817 | 1,160,201 | - | 9,401,543 | 18,035,561 |
| Fund Balances: | | | | | |
| Nonspendable | 228,394 | 357,475 | - | 261,662 | 847,531 |
| Restricted | 104,771 | 4,419,743 | 491,509 | 17,831,704 | 22,847,727 |
| Committed | 1,888,218 | - | - | 4,568,362 | 6,456,580 |
| Assigned | 6,738,810 | - | - | - | 6,738,810 |
| Unassigned | 9,605,041 | - | - | (1,186,253) | 8,418,788 |
| Total Fund Balances | 18,565,234 | 4,777,218 | 491,509 | 21,475,475 | 45,309,436 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 30,000,498 | \$ 6,164,403 | \$ 11,187,979 | \$ 36,541,872 | \$ 83,894,752 |

See accompanying notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023

| | |
|---|------------|
| Total Governmental Funds Balance | 45,309,436 |
|---|------------|

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

| | |
|---|-------------|
| Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds | 155,499,806 |
|---|-------------|

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

| | | | | | | | | | | | | | | | |
|---|---------------------------|---------|------------------------|-----------|---------------------|-----------|-------------------|-----------|----------------------|--------|----------------|---------|--------------|------------|--|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Delinquent property taxes</td> <td style="text-align: right;">748,387</td> </tr> <tr> <td>Municipal income taxes</td> <td style="text-align: right;">2,367,758</td> </tr> <tr> <td>Special assessments</td> <td style="text-align: right;">2,375,054</td> </tr> <tr> <td>Intergovernmental</td> <td style="text-align: right;">4,674,144</td> </tr> <tr> <td>Charges for services</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Franchise Fees</td> <td style="text-align: right; border-top: 1px solid black;">147,102</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">10,362,445</td> </tr> </table> | Delinquent property taxes | 748,387 | Municipal income taxes | 2,367,758 | Special assessments | 2,375,054 | Intergovernmental | 4,674,144 | Charges for services | 50,000 | Franchise Fees | 147,102 | Total | 10,362,445 | |
| Delinquent property taxes | 748,387 | | | | | | | | | | | | | | |
| Municipal income taxes | 2,367,758 | | | | | | | | | | | | | | |
| Special assessments | 2,375,054 | | | | | | | | | | | | | | |
| Intergovernmental | 4,674,144 | | | | | | | | | | | | | | |
| Charges for services | 50,000 | | | | | | | | | | | | | | |
| Franchise Fees | 147,102 | | | | | | | | | | | | | | |
| Total | 10,362,445 | | | | | | | | | | | | | | |

| | |
|--|-----------|
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. | (161,882) |
|--|-----------|

| | |
|--|-------------|
| Internal Service funds are used by management to charge the costs of certain activities, such as insurance and other services to individual funds. The assets and liabilities of the Internal Service funds are included in Governmental Activities in the Statement of Net Position. | (1,184,047) |
|--|-------------|

| | |
|--|--|
| The net pension liability and net OPEB liability are not due and payable in the current period; and the net pension asset and net OPEB asset are not available for spending in the current period; therefore, the liability, asset, and related deferred inflows/outflows are not reported in governmental funds: | |
|--|--|

| | | | | | | | | | | | | | | | |
|---|-----------------------------|------------|----------------------------|-------------|-----------------------|--------------|--------------------------|-----------|-------------------------|-------------|---------------------------|-------------|--------------|--------------|--|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Deferred Outflows - Pension</td> <td style="text-align: right;">28,987,205</td> </tr> <tr> <td>Deferred Inflows - Pension</td> <td style="text-align: right;">(3,670,874)</td> </tr> <tr> <td>Net Pension Liability</td> <td style="text-align: right;">(73,003,581)</td> </tr> <tr> <td>Deferred Outflows - OPEB</td> <td style="text-align: right;">4,525,248</td> </tr> <tr> <td>Deferred Inflows - OPEB</td> <td style="text-align: right;">(4,660,268)</td> </tr> <tr> <td>Net OPEB Liability</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">(4,448,852)</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-bottom: 3px double black;">(52,271,122)</td> </tr> </table> | Deferred Outflows - Pension | 28,987,205 | Deferred Inflows - Pension | (3,670,874) | Net Pension Liability | (73,003,581) | Deferred Outflows - OPEB | 4,525,248 | Deferred Inflows - OPEB | (4,660,268) | Net OPEB Liability | (4,448,852) | Total | (52,271,122) | |
| Deferred Outflows - Pension | 28,987,205 | | | | | | | | | | | | | | |
| Deferred Inflows - Pension | (3,670,874) | | | | | | | | | | | | | | |
| Net Pension Liability | (73,003,581) | | | | | | | | | | | | | | |
| Deferred Outflows - OPEB | 4,525,248 | | | | | | | | | | | | | | |
| Deferred Inflows - OPEB | (4,660,268) | | | | | | | | | | | | | | |
| Net OPEB Liability | (4,448,852) | | | | | | | | | | | | | | |
| Total | (52,271,122) | | | | | | | | | | | | | | |

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--------------------------|--------------|--------------------------|-------------|------------|-------------|---------------------------------|-------------|-------------|-------------|----------------------|-------------|-----------------------|-------|------------------------|---------|----------------------|-------------|----------------------------|-------------|-----------------------|-------------|---------------------------|-----------|----------------|----------|--------------|--------------|--|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td>General obligation bonds</td> <td style="text-align: right;">(33,327,904)</td> </tr> <tr> <td>Special assessment bonds</td> <td style="text-align: right;">(1,052,096)</td> </tr> <tr> <td>OPWC Loans</td> <td style="text-align: right;">(1,059,190)</td> </tr> <tr> <td>State Infrastructure Bank Loans</td> <td style="text-align: right;">(3,835,957)</td> </tr> <tr> <td>Other Loans</td> <td style="text-align: right;">(4,294,147)</td> </tr> <tr> <td>Unamortized premiums</td> <td style="text-align: right;">(2,527,934)</td> </tr> <tr> <td>Unamortized discounts</td> <td style="text-align: right;">5,757</td> </tr> <tr> <td>Deferral on refundings</td> <td style="text-align: right;">651,908</td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(9,035,915)</td> </tr> <tr> <td>Financed Purchases Payable</td> <td style="text-align: right;">(6,703,572)</td> </tr> <tr> <td>Pollution Remediation</td> <td style="text-align: right;">(4,798,340)</td> </tr> <tr> <td>Intergovernmental payable</td> <td style="text-align: right;">(131,900)</td> </tr> <tr> <td>Leases Payable</td> <td style="text-align: right; border-top: 1px solid black;">(53,523)</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">(66,162,813)</td> </tr> </table> | General obligation bonds | (33,327,904) | Special assessment bonds | (1,052,096) | OPWC Loans | (1,059,190) | State Infrastructure Bank Loans | (3,835,957) | Other Loans | (4,294,147) | Unamortized premiums | (2,527,934) | Unamortized discounts | 5,757 | Deferral on refundings | 651,908 | Compensated absences | (9,035,915) | Financed Purchases Payable | (6,703,572) | Pollution Remediation | (4,798,340) | Intergovernmental payable | (131,900) | Leases Payable | (53,523) | Total | (66,162,813) | |
| General obligation bonds | (33,327,904) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Special assessment bonds | (1,052,096) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OPWC Loans | (1,059,190) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| State Infrastructure Bank Loans | (3,835,957) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other Loans | (4,294,147) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unamortized premiums | (2,527,934) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unamortized discounts | 5,757 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferral on refundings | 651,908 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Compensated absences | (9,035,915) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Financed Purchases Payable | (6,703,572) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pollution Remediation | (4,798,340) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Intergovernmental payable | (131,900) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Leases Payable | (53,523) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | (66,162,813) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | |
|--|-------------------|
| Net Position of Governmental Activities | 91,391,823 |
|--|-------------------|

See accompanying notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | General Fund | Streets Fund | American Rescue Plan Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|-------------------------|--|---|---|
| REVENUES | | | | | |
| Property Taxes | \$ 2,689,793 | \$ - | \$ - | \$ 3,018,747 | \$ 5,708,540 |
| Municipal Income Taxes | 25,520,219 | 3,092,010 | - | 3,092,010 | 31,704,239 |
| Payments in Lieu of Taxes | - | - | - | 1,210,768 | 1,210,768 |
| Intergovernmental | 4,582,718 | 3,392,977 | 5,539,749 | 17,089,314 | 30,604,758 |
| Interest | 3,276,709 | - | 241,428 | 1,158 | 3,519,295 |
| Fees, Licenses, and Permits | 974,128 | 30,950 | - | 33,503 | 1,038,581 |
| Fines and Forfeitures | 1,190,408 | - | - | 1,266,827 | 2,457,235 |
| Charges for Services | 1,324,060 | 48,410 | - | 7,790,742 | 9,163,212 |
| Special Assessments | - | - | - | 283,068 | 283,068 |
| All Other Revenues | 118,833 | 26,083 | - | 465,189 | 610,105 |
| Franchise Fees | 626,954 | - | - | - | 626,954 |
| Leases | 14,648 | - | - | - | 14,648 |
| Total Revenues | 40,318,470 | 6,590,430 | 5,781,177 | 34,251,326 | 86,941,403 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 23,830,504 | - | 1,961,864 | 5,811,172 | 31,603,540 |
| Public Health | 430,968 | - | - | 4,692 | 435,660 |
| Leisure Time Activities | 1,133,448 | - | - | - | 1,133,448 |
| Community and Environment | 1,495,209 | - | - | 961,850 | 2,457,059 |
| Transportation | - | 4,384,333 | 9,466 | 763,837 | 5,157,636 |
| Economic Development | 64,857 | - | - | 3,919,147 | 3,984,004 |
| General Government | 9,355,674 | - | 3,342,995 | 6,157,916 | 18,856,585 |
| Capital Outlay | - | - | - | 16,158,882 | 16,158,882 |
| Debt Service: | | | | | |
| Principal Retirement | 123,433 | 205,537 | - | 5,817,021 | 6,145,991 |
| Interest and Fiscal Charges | 1,383 | 3,406 | - | 1,594,011 | 1,598,800 |
| Total Expenditures | 36,435,476 | 4,593,276 | 5,314,325 | 41,188,528 | 87,531,605 |
| Excess of Revenues (Under) Expenditures | 3,882,994 | 1,997,154 | 466,852 | (6,937,202) | (590,202) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of Financed Purchases | 914,490 | 2,932,000 | - | 1,086,752 | 4,933,242 |
| Loans Issued | - | - | - | 538,333 | 538,333 |
| Transfers In | 157,657 | 53,372 | - | 3,921,674 | 4,132,703 |
| Transfers Out | (1,095,489) | (2,153,689) | - | (776,562) | (4,025,740) |
| Total Other Financing Sources (Uses) | (23,342) | 831,683 | - | 4,770,197 | 5,578,538 |
| Net Change in Fund Balances | 3,859,652 | 2,828,837 | 466,852 | (2,167,005) | 4,988,336 |
| Fund Balances - Beginning of Year | 14,705,582 | 1,948,381 | 24,657 | 23,642,480 | 40,321,100 |
| Fund Balances - End of Year | \$ 18,565,234 | \$ 4,777,218 | \$ 491,509 | \$ 21,475,475 | \$ 45,309,436 |

See accompanying notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | |
|---|-----------|
| Net Change in Fund Balances-Total Governmental Funds | 4,988,336 |
|---|-----------|

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

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

| | |
|---------------------------|--------------------|
| Capital Outlay | 20,565,234 |
| Depreciation/Amortization | <u>(4,534,070)</u> |
| Total | 16,031,164 |

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

(91,259)

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

| | |
|---------------------------|-----------------|
| Delinquent property taxes | 8,602 |
| Municipal income taxes | 351,759 |
| Special assessments | 544,977 |
| Intergovernmental | 1,850,985 |
| Charges for services | (353,285) |
| Franchise Fees | <u>(15,550)</u> |
| Total | 2,387,488 |

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of financed purchases and loans.

(5,471,575)

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

8,317,090

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

| | |
|---------|-----------|
| Pension | 4,426,420 |
| OPEB | 87,936 |

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

| | |
|---------|--------------|
| Pension | (10,339,034) |
| OPEB | 445,452 |

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

| | |
|---|-----------------|
| Compensated absences | (1,695,886) |
| Accrued interest on bonds | 21,042 |
| Amortization of bond premiums and discounts | 293,612 |
| Amortization of loss on refunding | <u>(69,554)</u> |
| Total | (1,450,786) |

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

(469,959)

| | |
|--|-------------------|
| Change in Net Position of Governmental Activities | <u>18,861,273</u> |
|--|-------------------|

See accompanying notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (NON-GAAP BASIS) AND ACTUAL –
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2023

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|----------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Property Taxes | \$ 2,613,282 | \$ 2,613,282 | \$ 2,689,793 | \$ 76,511 |
| Municipal Income Taxes | 24,093,843 | 24,093,843 | 25,781,308 | 1,687,465 |
| Franchise Fees | 665,000 | 665,000 | 626,954 | (38,046) |
| Intergovernmental | 4,191,220 | 4,484,051 | 4,621,449 | 137,398 |
| Interest | 200,000 | 200,000 | 963,492 | 763,492 |
| Licenses and Permits | 1,184,081 | 1,174,081 | 1,486,279 | 312,198 |
| Fines and Forfeitures | 1,022,900 | 1,022,900 | 1,181,950 | 159,050 |
| Charges for Services | 1,254,072 | 1,240,580 | 1,350,972 | 110,392 |
| All Other Revenues | 716,416 | 1,299,880 | 687,052 | (612,828) |
| Total Revenues | 35,940,814 | 36,793,617 | 39,389,249 | 2,595,632 |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 25,156,896 | 25,618,091 | 24,379,775 | 1,238,316 |
| Public Health & Welfare | 442,754 | 571,176 | 546,772 | 24,404 |
| Leisure Time Activities | 1,206,248 | 1,603,792 | 1,578,189 | 25,603 |
| Community Development | 2,569,742 | 2,552,570 | 2,115,086 | 437,484 |
| Economic Development | 873,715 | 873,715 | 165,170 | 708,545 |
| General Government | 10,504,210 | 11,489,730 | 10,619,353 | 870,377 |
| Debt Service | | | | |
| Principal | 44,494 | 45,666 | 45,665 | 1 |
| Interest & Fiscal Charges | 243 | 243 | 243 | - |
| Total Expenditures | 40,798,302 | 42,754,983 | 39,450,253 | 3,304,730 |
| Excess of Revenues Over (Under) Expenditures | (4,857,488) | (5,961,366) | (61,004) | 5,900,362 |
| Other Financing Sources (Uses) | | | | |
| Advances In | 56,781 | 56,781 | 56,781 | - |
| Advances Out | - | (200,000) | (1,196) | 198,804 |
| Leases Issued | - | 914,490 | 914,490 | - |
| Transfers In | 62,403 | 62,403 | 51,440 | (10,963) |
| Transfers Out | (1,286,041) | (1,286,041) | (1,286,041) | - |
| Total Other Financing Sources (Uses) | (1,166,857) | (452,367) | (264,526) | 187,841 |
| Net Change in Fund Balance | (6,024,345) | (6,413,733) | (325,530) | 6,088,203 |
| Fund Balance - Beginning of Year | 10,657,308 | 10,657,308 | 10,657,308 | - |
| Prior Year Encumbrances Appropriated | 1,440,732 | 1,440,732 | 1,440,732 | - |
| Fund Balance - End of Year | \$ 6,073,695 | \$ 5,684,307 | \$ 11,772,510 | \$ 6,088,203 |

See accompanying notes to the basic financial statements

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (NON-GAAP BASIS) AND ACTUAL –
STREETS FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Municipal Income Tax | \$2,942,980 | \$2,942,980 | \$3,122,877 | \$179,897 |
| Charges for Services | 50,000 | 50,000 | 48,410 | (1,590) |
| Licenses, Permits and Fees | 26,800 | 26,800 | 30,950 | 4,150 |
| Intergovernmental | 3,262,150 | 3,262,150 | 3,387,266 | 125,116 |
| Miscellaneous | 253,019 | 324,411 | 26,083 | (298,328) |
| Total Revenues | 6,534,949 | 6,606,341 | 6,615,586 | 9,245 |
| Expenditures: | | | | |
| Transportation | 4,837,505 | 7,975,395 | 7,517,379 | 458,016 |
| Debt Service: | | | | |
| Principal Retirement | 518,952 | 384,484 | 205,537 | 178,947 |
| Interest and Fiscal Charges | 3,406 | 3,406 | 3,406 | - |
| Total Expenditures | 5,359,863 | 8,363,285 | 7,726,322 | 636,963 |
| Excess of Revenues Over (Under) Expenditures | 1,175,086 | (1,756,944) | (1,110,736) | 646,208 |
| Other Financing Sources (Uses): | | | | |
| Issuance of Financed Purchase | - | 2,932,000 | 2,932,000 | - |
| Transfers In | 50,000 | 53,373 | 53,372 | (1.00) |
| Transfers Out | (2,154,793) | (2,154,793) | (2,153,689) | 1,104 |
| Total Other Financing Sources (Uses) | (2,104,793) | 830,580 | 831,683 | 1,103 |
| Net Change in Fund Balance | (929,707) | (926,364) | (279,053) | 647,311 |
| Fund Balance Beginning of Year | 614,322 | 614,322 | 614,322 | - |
| Prior Year Encumbrances Appropriated | 349,116 | 349,116 | 349,116 | - |
| Fund Balance End of Year | \$33,731 | \$37,074 | \$684,385 | \$647,311 |

See accompanying notes to the basic financial statements

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (NON-GAAP BASIS) AND ACTUAL –
AMERICAN RESCUE PLAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--------------------------------------|----------------------|-------------------|----------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Interest | \$ - | \$ 220,000 | \$ 276,920 | \$ 56,920 |
| Miscellaneous | - | 234,822 | - | (234,822) |
| Total Revenues | - | 454,822 | 276,920 | (177,902) |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,217,806 | 2,217,806 | 2,035,268 | 182,538 |
| General Government | 612,291 | 14,650,458 | 4,116,044 | 10,534,414 |
| Economic Development | - | 2,000,000 | 2,000,000 | - |
| Transportation | 9,466 | 209,466 | 209,466 | - |
| Leisure Time Activities | - | 1,213,600 | 1,213,600 | - |
| Total Expenditures | 1,839,563 | 20,291,330 | 9,574,378 | 10,716,952 |
| Net Change in Fund Balance | (1,839,563) | (19,836,508) | (9,297,458) | 10,539,050 |
| Fund Balance Beginning of Year | 19,486,679 | 19,486,679 | 19,486,679 | - |
| Prior Year Encumbrances Appropriated | 689,153 | 689,153 | 689,153 | - |
| Fund Balance End of Year | \$ 18,336,269 | \$ 339,324 | \$ 10,878,374 | \$ 10,539,050 |

See accompanying notes to the basic financial statements

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

| | Enterprise Funds | | | Governmental Activities | | | |
|--|----------------------|-------------------------|-----------------------|-------------------------|--|--|--|
| | Water Works | Water Pollution Control | Total | Internal Service Funds | | | |
| | | | | | | | |
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 23,385,150 | \$ 13,174,225 | \$ 36,559,375 | \$ 260,890 | | | |
| Materials and Supplies Inventory | 1,228,171 | 37,604 | 1,265,775 | 337,427 | | | |
| Accounts Receivable | 2,112,901 | 2,417,311 | 4,530,212 | - | | | |
| Interfund Receivable | - | 4,015 | 4,015 | 137,494 | | | |
| Intergovernmental Receivable | - | 92,623 | 92,623 | - | | | |
| Prepaid Items | 47,020 | 7,574 | 54,594 | 3,483 | | | |
| Restricted Assets: | | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 605,860 | 1,578,618 | 2,184,478 | - | | | |
| With Fiscal Agents | 594,649 | 2,172,109 | 2,766,758 | - | | | |
| Loans Receivable | - | 646 | 646 | - | | | |
| Total Current Assets | 27,973,751 | 19,484,725 | 47,458,476 | 739,294 | | | |
| Noncurrent Assets: | | | | | | | |
| Capital Assets: | | | | | | | |
| Construction in Progress | 20,586,802 | 6,966,360 | 27,553,162 | 40,185 | | | |
| Depreciable/Amortized Assets, Net of Depreciation/Amortization | 68,799,775 | 128,120,040 | 196,919,815 | 3,939,389 | | | |
| Total Noncurrent Assets | 89,386,577 | 135,086,400 | 224,472,977 | 3,979,574 | | | |
| Total Assets | 117,360,328 | 154,571,125 | 271,931,453 | 4,718,868 | | | |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Asset Retirement Obligation | 99,949 | - | 99,949 | - | | | |
| Pension | 2,858,925 | 4,362,479 | 7,221,404 | 352,966 | | | |
| OPEB | 429,775 | 655,801 | 1,085,576 | 53,060 | | | |
| Total Deferred Outflows of Resources | 3,388,649 | 5,018,280 | 8,406,929 | 406,026 | | | |
| LIABILITIES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable | 97,747 | 104,139 | 201,886 | 12,142 | | | |
| Accrued Wages and Benefits | 150,575 | 186,048 | 336,623 | 14,070 | | | |
| Compensated Absences Payable | 188,181 | 295,345 | 483,526 | - | | | |
| Contracts Payable | 886,186 | 1,042,555 | 1,928,741 | - | | | |
| Retainage Payable | 51,084 | 108,447 | 159,531 | - | | | |
| Intergovernmental Payable | 124,143 | 153,784 | 277,927 | 11,923 | | | |
| Interfund Payable | 6,735 | 20,443 | 27,178 | - | | | |
| Accrued Interest Payable | - | - | - | 8,329 | | | |
| Claims Payable | - | - | - | 961,748 | | | |
| General Obligation Bonds Payable | - | - | - | 695,400 | | | |
| Leases Payable | 4,021 | 3,448 | 7,469 | - | | | |
| OWDA Loans Payable | 3,468,886 | 5,122,753 | 8,591,639 | - | | | |
| Financed Purchases Payable | 108,771 | 397,314 | 506,085 | - | | | |
| Total Current Liabilities | 5,086,329 | 7,434,276 | 12,520,605 | 1,703,612 | | | |
| Noncurrent Liabilities: | | | | | | | |
| Compensated Absences Payable | 596,561 | 756,984 | 1,353,545 | 66,408 | | | |
| General Obligation Bonds Payable | - | - | - | 3,233,000 | | | |
| Lease Payable | 2,019 | 1,732 | 3,751 | - | | | |
| OWDA Loans Payable | 51,288,893 | 49,931,686 | 101,220,579 | - | | | |
| Financed Purchases Payable | 485,878 | 1,774,795 | 2,260,673 | - | | | |
| Asset Retirement Obligation | 384,425 | - | 384,425 | - | | | |
| Net Pension Liability | 6,675,581 | 10,186,377 | 16,861,958 | 824,176 | | | |
| Net OPEB Liability | 138,872 | 211,907 | 350,779 | 17,145 | | | |
| Total Noncurrent Liabilities | 59,572,229 | 62,863,481 | 122,435,710 | 4,140,729 | | | |
| Total Liabilities | 64,658,558 | 70,297,757 | 134,956,315 | 5,844,341 | | | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Pension | 58,131 | 88,703 | 146,834 | 7,177 | | | |
| OPEB | 46,773 | 71,373 | 118,146 | 5,775 | | | |
| Total Deferred Inflows of Resources | 104,904 | 160,076 | 264,980 | 12,952 | | | |
| NET POSITION | | | | | | | |
| Net Investment in Capital Assets | 33,735,145 | 78,973,399 | 112,708,544 | 1,166,174 | | | |
| Restricted for: | | | | | | | |
| Utility Reserve | 1,181,099 | 3,319,659 | 4,500,758 | - | | | |
| Unrestricted | 21,069,271 | 6,838,514 | 27,907,785 | (1,898,573) | | | |
| Total Net Position | \$ 55,985,515 | \$ 89,131,572 | \$ 145,117,087 | \$ (732,399) | | | |

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

923,458

Net position business-type activities

\$ 146,040,545

See accompany notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Enterprise Funds | | | Governmental Activities |
|---|----------------------|-------------------------|---------------------|-------------------------|
| | Water Works | Water Pollution Control | Total | Internal Service Funds |
| | | | | |
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 14,687,818 | \$ 17,106,857 | \$ 31,794,675 | \$ 12,377,624 |
| Miscellaneous | 41,869 | 152,051 | 193,920 | - |
| Total Operating Revenues | 14,729,687 | 17,258,908 | 31,988,595 | 12,377,624 |
| OPERATING EXPENSES | | | | |
| Salaries | 3,974,761 | 4,769,992 | 8,744,753 | 420,651 |
| Fringe Benefits | 1,845,321 | 3,466,403 | 5,311,724 | 334,654 |
| Materials and Supplies | 1,373,264 | 1,126,027 | 2,499,291 | 1,219,176 |
| Utilities | 420,256 | 715,220 | 1,135,476 | - |
| Contractual Services | 2,105,758 | 2,122,883 | 4,228,641 | 28,953 |
| Depreciation/Amortization | 2,068,736 | 3,393,740 | 5,462,476 | 66,153 |
| Claims | - | - | - | 9,918,075 |
| Other | 412,249 | 442,114 | 854,363 | 4,021 |
| Total Operating Expense | 12,200,345 | 16,036,379 | 28,236,724 | 11,991,683 |
| Operating Income | 2,529,342 | 1,222,529 | 3,751,871 | 385,941 |
| NONOPERATING (EXPENSES) | | | | |
| Loss on Sale of Capital Assets | (12,000) | - | (12,000) | - |
| Interest and Fiscal Charges | (1,350,816) | (1,388,876) | (2,739,692) | (116,863) |
| Total Nonoperating (Expenses) | (1,362,816) | (1,388,876) | (2,751,692) | (116,863) |
| Capital Contributions from Grants | 451,354 | - | 451,354 | - |
| Transfers In | 3,372 | 3,372 | 6,744 | - |
| Transfers Out | (49,022) | (59,556) | (108,578) | (5,129) |
| Change in Net Position | 1,572,230 | (222,531) | 1,349,699 | 263,949 |
| Net Position - Beginning of Year | 54,413,285 | 89,354,103 | | (996,348) |
| Net Position - End of Year | \$ 55,985,515 | \$ 89,131,572 | | \$ (732,399) |
| Some amounts reported for business-type activities in the statement of activities are different because internal service fund assets are included with business-type activities | | | 87,524 | |
| Change in net position business-type activities | | | \$ 1,437,223 | |

See accompany notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Enterprise Funds | | | Governmental Activities | |
|--|-----------------------------|-----------------------------|-----------------------------|--------------------------|--|
| | Water Works | Water Pollution Control | Total | Internal Service Funds | |
| | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash Received from Charges for Services | \$ 14,620,141 | \$ 16,932,641 | \$ 31,552,782 | \$ 12,298,715 | |
| Other Cash Receipts | 41,869 | 152,715 | 194,584 | - | |
| Cash Payments to Employees for Services and Benefits | (5,551,280) | (6,892,706) | (12,443,986) | (719,522) | |
| Cash Payments for Goods and Services | (4,118,814) | (3,984,483) | (8,103,297) | (1,310,614) | |
| Cash Payments for Claims | - | - | - | (9,528,711) | |
| Other Cash Payments | (404,057) | (441,160) | (845,217) | (4,021) | |
| Net Cash Provided by Operating Activities | <u>4,587,859</u> | <u>5,767,007</u> | <u>10,354,866</u> | <u>735,847</u> | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers In | 3,372 | 3,372 | 6,744 | - | |
| Transfers Out | (49,022) | (59,556) | (108,578) | (5,129) | |
| Net Cash Used In Noncapital Financing Activities | <u>(45,650)</u> | <u>(56,184)</u> | <u>(101,834)</u> | <u>(5,129)</u> | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Capital Grants Received | 451,354 | - | 451,354 | - | |
| Proceeds from OWDA Loans | 6,709,248 | 116,530 | 6,825,778 | - | |
| Proceeds from Financed Purchases | 594,649 | 2,172,109 | 2,766,758 | | |
| Principal Paid on Debt | (3,239,053) | (5,193,014) | (8,432,067) | (680,000) | |
| Interest Paid on Debt | (1,350,817) | (1,388,876) | (2,739,693) | (110,559) | |
| Payments for Capital Acquisitions | (7,719,383) | (1,785,629) | (9,505,012) | (78,596) | |
| Net Cash Used in Capital and Related Financing Activities | <u>(4,554,002)</u> | <u>(6,078,880)</u> | <u>(10,632,882)</u> | <u>(869,155)</u> | |
| Net Decrease in Cash and Cash Equivalents | <u>(11,793)</u> | <u>(368,057)</u> | <u>(379,850)</u> | <u>(138,437)</u> | |
| Cash and Cash Equivalents - Beginning of Year | <u>24,597,452</u> | <u>17,293,009</u> | <u>41,890,461</u> | <u>399,327</u> | |
| Cash and Cash Equivalents - End of Year | <u>\$ 24,585,659</u> | <u>\$ 16,924,952</u> | <u>\$ 41,510,611</u> | <u>\$ 260,890</u> | |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating Income | \$ 2,529,342 | \$ 1,222,529 | \$ 3,751,871 | \$ 385,941 | |
| Adjustments: | | | | | |
| Depreciation | 2,068,736 | 3,393,740 | 5,462,476 | 66,153 | |
| (Increase) Decrease in Assets and Deferred Outflows of Resources: | | | | | |
| Accounts Receivable | (67,677) | (152,518) | (220,195) | - | |
| Intergovernmental Receivable | - | (21,026) | (21,026) | - | |
| Materials and Supplies Inventory | (13,969) | 5,235 | (8,734) | (53,837) | |
| Prepaid Items | (38,077) | (177) | (38,254) | 151 | |
| Interfund Receivable | - | (672) | (672) | (78,909) | |
| Loans Receivable | - | 664 | 664 | - | |
| Net OPEB Asset | 746,405 | 903,627 | 1,650,032 | 83,674 | |
| Deferred Outflows - Asset Retirement Obligation | 7,689 | - | 7,689 | - | |
| Deferred Outflows - Pension | (1,627,710) | (2,871,922) | (4,499,632) | (214,944) | |
| Deferred Outflows - OPEB | (383,132) | (599,333) | (982,465) | (47,831) | |
| Increase (Decrease) in Liabilities and Deferred Inflows of Resources: | | | | | |
| Accounts Payable | 2,018,830 | 267,944 | 2,286,774 | (21,359) | |
| Contracts Payable | (1,653,531) | (335,858) | (1,989,389) | - | |
| Accrued Wages and Benefits | (21,953) | 12,775 | (9,178) | (4,350) | |
| Compensated Absences Payable | 146,429 | 483 | 146,912 | (13,595) | |
| Retainage Payable | (530,421) | 30,476 | (499,945) | - | |
| Intergovernmental Payable | 36,314 | 55,005 | 91,319 | 378 | |
| Interfund Payable | (1,865) | 12,981 | 11,116 | - | |
| Claims Payable | - | - | - | 401,924 | |
| Net Pension Liability | 4,557,900 | 7,622,629 | 12,180,529 | 586,779 | |
| Net OPEB Liability | 138,872 | 211,907 | 350,779 | 17,145 | |
| Deferred Inflows - Pension | (2,562,168) | (3,083,535) | (5,645,703) | (286,565) | |
| Deferred Inflows - OPEB | (762,155) | (907,947) | (1,670,102) | (84,908) | |
| Net Cash Provided by Operating Activities | <u>\$ 4,587,859</u> | <u>\$ 5,767,007</u> | <u>\$ 10,354,866</u> | <u>\$ 735,847</u> | |

Schedule of Noncash Investing, Capital, and Related Financing Activities

| | | | | |
|------------------------|--------------|--------------|------------|------|
| Net Impact of Accruals | \$ 1,228,748 | \$ (766,089) | \$ 462,659 | \$ - |
|------------------------|--------------|--------------|------------|------|

See accompanying notes to the basic financial statements

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2023

| | Custodial |
|---|------------------|
| ASSETS | |
| Equity in Pooled Cash and Cash Equivalents | \$ 237,374 |
| Total Assets | <hr/> 237,374 |
| LIABILITIES | |
| Intergovernmental Payable | 206,624 |
| Total Liabilities | <hr/> 206,624 |
| NET POSITION | |
| Restricted For: | |
| Individuals, Organizations, and Other Governments | 30,750 |
| Total Net Position | <hr/> \$ 30,750 |

See accompany notes to the basic financial statements.

CITY OF LORAIN
LORAIN COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Custodial |
|---|-------------------------|
| ADDITIONS | |
| Intergovernmental | \$ 187,653 |
| Fines and Forefeitures for Other Governments | 4,829,848 |
| Miscellaneous | 9,228 |
| Total Additions | <u>5,026,729</u> |
| DEDUCTIONS | |
| Distributions to Other Governments | 208,238 |
| Fines and Forefeitures Distributions to Other Governments | 4,828,395 |
| Total Deductions | <u>5,036,633</u> |
| Net Increase in Fiduciary Net Position | (9,904) |
| Net Position - Beginning of Year | 40,654 |
| Net Position - End of Year | <u>\$ 30,750</u> |

See accompany notes to the basic financial statements.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Basis of Presentation

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

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

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

Fund Accounting

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

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

**CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

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

Fund Accounting (Continued)

Governmental Funds (continued)

The following are the City's major governmental funds:

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

Streets Fund Special Revenue Fund - This fund accounts for and reports resources that are restricted for the construction and repair for the road within the city limits.

American Rescue Plan Fund Special Revenue Fund - This fund accounts for and reports financial resources from the American Rescue Plan Act enacted during 2021 to be used to assist in the recovery from the COVID-19 pandemic.

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

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

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

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

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Fund Accounting (Continued)

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

Measurement Focus

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

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

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

Basis of Accounting

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 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. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, charges for services, franchise fees, and intergovernmental grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources (Continued)

The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 24. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are explained in Notes 15 and 16.

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

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

Budgetary Data

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

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Pooled Cash and Cash Equivalents

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

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

During 2023, investments were limited to negotiable CDs, Repurchase agreement, Money Market Fund, Commercial Paper, Treasury Notes and Bills, U.S. Debt Securities and STAR Ohio. The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2023, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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

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.

Inventory Held for Resale

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

Materials and Supplies Inventory

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

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

Deferred Charge on Refunding

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

Bond Premiums and Discounts

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

Restricted Assets

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

Capital Assets

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Capital Assets (Continued)

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

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

| Description | Estimated Lives |
|---|------------------------|
| Buildings and Improvements (including water and water pollution control facilities) | 50 to 75 years |
| Machinery and Equipment | 5 to 25 years |
| Furniture and Fixtures | 10 to 15 years |
| Infrastructure | 30 to 60 years |
| Intangible right-to-use Equipment | 5 years |

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

Interfund Balances

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Compensated Absences

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

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

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Fund Balance

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

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

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

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

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

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.

**CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

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

Fund Balance (Continued)

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

Net Position

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

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

Interfund Activity

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

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

Operating Revenues and Expenses

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Estimates

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

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of this Statement did not have an effect on the financial statements of the City.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

Accountability

Fund balances at December 31, 2023, included the following individual fund deficits:

| Nonmajor Funds: | Amount |
|---|----------------------------|
| <i>Special Revenue Funds:</i> | |
| Habitat Conservation | \$ 148,960 |
| <i>Capital Project Funds:</i> | |
| Black River Dredge Reuse Facility Grant | 995,669 |
| Capital Improvements | 41,624 |
| <i>Internal Service Funds:</i> | |
| Hospitalization | <u>1,890,157</u> |
| | <u><u>\$ 3,076,410</u></u> |

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

Compliance

Contrary to Ohio Revised Code Section 5705.10 (H), the City had the following negative cash fund balances, indicating revenue from other sources were used to pay obligations.

| Nonmajor Funds: | Amount |
|--|--------------------------|
| <i>Special Revenue Funds:</i> | |
| Community Development Block Grant - CV Grant | \$ 65,429 |
| Edi Special Grant | 458,706 |
| Home ARP Grant | 25,442 |
| <i>Capital Project Funds:</i> | |
| Black River Dredge Reuse Facility Grant | <u>224,266</u> |
| | <u><u>\$ 773,843</u></u> |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 5: FUND BALANCES

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

| Fund Balances | General | Streets Fund | American Rescue Plan Fund | Other Governmental Funds | Total |
|------------------------------------|----------------------|---------------------|---------------------------|--------------------------|----------------------|
| <i>Nonspendable</i> | | | | | |
| Prepaid Items | \$ 70,298 | \$ 10,645 | \$ - | \$ 108,248 | \$ 189,191 |
| Materials and Supplies Inventory | 55,114 | 346,830 | - | 153,414 | 555,358 |
| Unclaimed Funds | 102,982 | - | - | - | 102,982 |
| <i>Total Nonspendable</i> | <u>228,394</u> | <u>357,475</u> | <u>-</u> | <u>261,662</u> | <u>847,531</u> |
| <i>Restricted for</i> | | | | | |
| Loans Receivable | - | - | - | 5,122,908 | 5,122,908 |
| Economic Development Projects | - | - | - | 3,916,538 | 3,916,538 |
| Road Improvements | - | 4,419,743 | - | 611,160 | 5,030,903 |
| Assets Held for Resale | - | - | - | 1,190,763 | 1,190,763 |
| Law Enforcement | - | - | - | 4,030,015 | 4,030,015 |
| Fire Levy | - | - | - | 1,172,101 | 1,172,101 |
| Municipal Court Operations | 92,039 | - | - | 922,086 | 1,014,125 |
| Debt Service Payments | - | - | - | 313,813 | 313,813 |
| Special Assessment Bond Retirement | - | - | - | 22,845 | 22,845 |
| Community Environment Enhancement | - | - | - | 45,768 | 45,768 |
| Waste Collection | - | - | - | 352,280 | 352,280 |
| Opioid Settlement | - | - | - | 129,633 | 129,633 |
| Cemetery Operations | 12,732 | - | - | - | 12,732 |
| Other | - | - | 491,509 | 1,794 | 493,303 |
| <i>Total Restricted</i> | <u>104,771</u> | <u>4,419,743</u> | <u>491,509</u> | <u>17,831,704</u> | <u>22,847,727</u> |
| <i>Committed to</i> | | | | | |
| Storm Sewer Maintenance and Repair | - | - | - | 4,106,182 | 4,106,182 |
| Municipal Court Improvements | - | - | - | 462,180 | 462,180 |
| Payroll Reserve | 304,519 | - | - | - | 304,519 |
| Compensated Absences Reserve | 487,750 | - | - | - | 487,750 |
| Park Operations | 34,180 | - | - | - | 34,180 |
| Safety Services | 316,500 | - | - | - | 316,500 |
| Public Health | 475 | - | - | - | 475 |
| General Government | 619,811 | - | - | - | 619,811 |
| Economic Development Incentives | 124,983 | - | - | - | 124,983 |
| <i>Total Committed</i> | <u>1,888,218</u> | <u>-</u> | <u>-</u> | <u>4,568,362</u> | <u>6,456,580</u> |
| <i>Assigned to</i> | | | | | |
| Subsequent Year Appropriations | 4,120,423 | - | - | - | 4,120,423 |
| Purchases on Order | 2,618,387 | - | - | - | 2,618,387 |
| <i>Total Assigned</i> | <u>6,738,810</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,738,810</u> |
| <i>Unassigned</i> | | | | | |
| Total Fund Balances | <u>\$ 18,565,234</u> | <u>\$ 4,777,218</u> | <u>\$ 491,509</u> | <u>\$ 21,475,475</u> | <u>\$ 45,309,436</u> |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 6: BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

| | General | Streets Fund | American Rescue Plan Fund |
|---|----------------------------|----------------------------|------------------------------|
| GAAP Basis | \$ 3,859,652 | \$ 2,828,837 | \$ 466,852 |
| Revenue Accruals | (835,619) | 25,156 | (5,539,749) |
| Beginning Unrecorded Cash | 60,934 | - | 45,087 |
| Ending Unrecorded Cash | (138,111) | - | (9,595) |
| Expenditure Accruals | (366,722) | (79,399) | (4,001,045) |
| Advance In | 56,781 | - | - |
| Advances out | (1,196) | - | - |
| Excess of Revenue Over (Under) Expenditures | | | |
| Economic Development | 51,440 | - | - |
| Parkland | 73,842 | - | - |
| Compensated Absences | (125,175) | - | - |
| Payroll Reserve | (236,523) | - | - |
| Cemetery | 8,988 | - | - |
| Encumbrances (Budget Basis) | | | |
| outstanding at year end | <u>(2,733,821)</u> | <u>(3,053,647)</u> | <u>(259,008)</u> |
| Budget Basis | <u><u>\$ (325,530)</u></u> | <u><u>\$ (279,053)</u></u> | <u><u>\$ (9,297,458)</u></u> |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 7: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits

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

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of the City's financial institutions had enrolled in OPCS as of December 31, 2023.

At year end, the carrying amount of the City's deposits was \$22,660,479, and the bank balance was \$25,036,190. Of the City's bank balance, \$750,000 was covered by federal depository insurance and \$5,605,677 uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name, and \$18,680,513 was uninsured and uncollateralized. One of the two City's financial institutions was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

Cash on Hand

The City has \$5,029 in undeposited cash on hand, which is reported on the balance sheet as part of "Equity in Pooled Cash and Cash Equivalents".

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Investments are reported at fair value. As of December 31, 2023, the City had the following investments:

| Rating by Standard & Poor's | Level | Investment | Measurement Value | Investment Maturities (in years) | | | Percentage of Total Investments |
|-----------------------------------|-------|--------------------------|----------------------|----------------------------------|----------------------|----------------------|---------------------------------------|
| | | | | <1 | 1-3 | 3-5 | |
| N/A | N/A | Repurchase Agreement | \$ 2,000,221 | \$ 2,000,221 | \$ - | \$ - | 2.76% |
| N/A | 2 | Negotiable CDs | 3,973,336 | 1,941,693 | 815,754 | 1,215,889 | 5.48% |
| N/A | N/A | Money Market Fund | 1,551,346 | 1,551,346 | - | - | 2.14% |
| A-1/P-1 | 2 | Commerical Paper | 818,082 | 818,082 | - | - | 1.13% |
| AA+ | 2 | Treasury Notes and Bills | 17,991,332 | 6,672,510 | 3,683,529 | 7,635,293 | 24.83% |
| AA+ | 2 | Treasury Bonds | 5,238,588 | 1,908,253 | 3,330,335 | - | 7.23% |
| AA+ | 2 | Agency Bonds | 20,670,883 | 5,914,171 | 6,937,338 | 7,819,374 | 28.53% |
| AAAM | N/A | STAR Ohio | 20,207,650 | 20,207,650 | - | - | 27.89% |
| | | | \$ 72,451,438 | \$ 41,013,926 | \$ 14,766,956 | \$ 16,670,556 | 100.00% |

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

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 7: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk Custodial credit risk for investments is the risk that in the event of bank failure, the City will not be able to recover investments or collateral securities that are in possession of an outside party. At year end, the City's investment in negotiable certificates of deposit of \$5,945,949 was fully covered by the FDIC.

NOTE 8: RECEIVABLES

Receivables at December 31, 2023, consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, loans, and accounts (billings for utility service).

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

Special assessments expected to be collected in more than one-year amount to \$2,375,054. At December 31, 2022, the amount of delinquent special assessments was \$1,094,648.

The loans receivable at December 31, 2022, include revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program. The loans are due on various dates with a large portion not due until the related property is sold or the debtor becomes deceased. The loans receivable balance of \$5,122,908 on the basic financial statements is stated net of estimated uncollectible of \$1,081,488.

The City's sewer department issued zero percent interest emergency loans to property owners in 2007 to provide some immediate relief to replace property damaged due to a major sewer line collapse. At December 31, 2023, the fund has recorded a loan receivable balance of \$646.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City of Lorain. Property tax revenues received in 2023 for real and public utility property represent the collection of 2021 taxes.

Real property taxes received in 2023 were levied after October 1, 2022, on the assessed values as of January 1, 2022, the lien date. Real property taxes which were levied in 2023 are collected in and intended to finance 2024. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 8: **RECEIVABLES** (Continued)

Property Taxes (Continued)

Public utility property tax revenues received in 2023 represent the collection of 2022 taxes. Public utility property taxes received in 2023 became a lien on December 31, 2022, were levied after October 1, 2022, and are collected with real property taxes.

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

The full tax rate for all City of Lorain operations for the year ended December 31, 2023, was \$7.66 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2023 property tax receipts were based are as follows:

| <u>Property Category</u> | <u>Assessed Value</u> |
|----------------------------------|--------------------------------|
| Real Property | \$ 916,306,020 |
| Public Utility Personal Property | <u>1,022,136,880</u> |
| Total | <u><u>\$ 1,938,442,900</u></u> |

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

Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2023, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2023 operations is offset to deferred inflows of resources – property taxes. On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Tax

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 8: **RECEIVABLES** (Continued)

Payment in Lieu of Taxes

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

Intergovernmental Receivables

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

| <u>Governmental Activities</u> | <u>Amount</u> |
|--|----------------------|
| Local Government | \$ 1,795,480 |
| Gasoline Tax | 1,153,854 |
| Motor Vehicle License Tax | 257,657 |
| Homestead and Rollback | 274,334 |
| Grants | 3,298,277 |
| Permissive Tax | 111,341 |
| Other | 878 |
| Total Governmental Activities | <hr/> 6,891,821 |
| <u>Business-Type Activities</u> | |
| Utilities Charges | <hr/> 92,623 |
| Total | <hr/> \$ 6,984,444 |

Lease Receivable

On January 1, 2022, the City entered into two lease agreements as the lessor for the uses of the Lorain Small Boat Basin and 200 West Erie Avenue. The initial lease receivable was recorded in the amount \$72,956 and the City is scheduled to receive monthly payments in the amount of \$1,228. As of December 31, 2023, the City had a receivable remaining in the amount of \$44,314.

On the following page is a schedule of future payments to be made to the City.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 8: **RECEIVABLES** (Continued)

Lease Receivable (Continued)

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|---------------|------------------|
| | Principal | Interest | Total Payments |
| 2024 | \$ 14,607 | \$ 324 | \$ 14,931 |
| 2025 | 9,715 | 226 | 9,941 |
| 2026 | 9,902 | 138 | 10,040 |
| 2027 | 10,090 | 49 | 10,139 |
| Total | <u>\$ 44,314</u> | <u>\$ 737</u> | <u>\$ 45,051</u> |

NOTE 9: **INVENTORY HELD FOR RESALE**

Inventory held for resale represents land purchased and homes purchased and repaired to be resold under the Community Development infill housing and neighborhood stabilization projects. As of December 31, 2023, the City has 83 properties remaining which are being held for resale.

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CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 10: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

| | Balance 12/31/2022 | Additions | Deletions | Balance 12/31/2023 |
|---|------------------------|----------------------|-----------------------|------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, Not Being Depreciated:</i> | | | | |
| Land | \$ 10,785,227 | \$ - | \$ (50,600) | \$ 10,734,627 |
| Easements | 6,670,008 | - | - | 6,670,008 |
| Construction in Progress | <u>9,757,047</u> | <u>15,275,384</u> | <u>(4,209,378)</u> | <u>20,823,053</u> |
| <i>Total Capital Assets, Not Being Depreciated</i> | <u>27,212,282</u> | <u>15,275,384</u> | <u>(4,259,978)</u> | <u>38,227,688</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | |
| Buildings and Improvements | 38,269,896 | 549,195 | (244,807) | 38,574,284 |
| Machinery and Equipment | 28,953,606 | 2,907,600 | (240,590) | 31,620,616 |
| Furniture and Fixtures | 449,178 | 8,605 | - | 457,783 |
| Leased Assets | 124,159 | - | - | 124,159 |
| Infrastructure: | | | | |
| Streets, Sidewalks, | | | | |
| Bridges and Storm Sewers | <u>1,076,028,842</u> | <u>6,033,828</u> | <u>-</u> | <u>1,082,062,670</u> |
| <i>Total Capital Assets, Being Depreciated</i> | <u>1,143,825,681</u> | <u>9,499,228</u> | <u>(485,397)</u> | <u>1,152,839,512</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (11,873,467) | (673,705) | 225,222 | (12,321,950) |
| Machinery and Equipment | (14,986,912) | (1,327,758) | 219,516 | (16,095,154) |
| Furniture and Fixtures | (240,682) | (20,387) | - | (261,069) |
| Leased Assets | (34,892) | (34,892) | - | (69,784) |
| Infrastructure: | | | | |
| Streets, Sidewalks, | | | | |
| Bridges and Storm Sewers | <u>(1,004,342,109)</u> | <u>(2,477,328)</u> | <u>-</u> | <u>(1,006,819,437)</u> |
| <i>Total Accumulated Depreciation</i> | <u>(1,031,478,062)</u> | <u>(4,534,070) *</u> | <u>444,738</u> | <u>(1,035,567,394)</u> |
| <i>Total Capital Assets, Being Depreciated, Net</i> | <u>112,347,619</u> | <u>4,965,158</u> | <u>(40,659)</u> | <u>117,272,118</u> |
| <i>Governmental Activities Capital Assets, Net</i> | <u>\$ 139,559,901</u> | <u>\$ 20,240,542</u> | <u>\$ (4,300,637)</u> | <u>\$ 155,499,806</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|-----------------------------------|--------------------|
| General Government | \$1,067,346 |
| Security of Persons and Property | 891,281 |
| Transportation | 2,293,006 |
| Public Health | 13,819 |
| Community Environment | 23,283 |
| Economic Development | 84,503 |
| Leisure Time Activities | 160,832 |
| <i>Total Depreciation Expense</i> | <u>\$4,534,070</u> |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 10: CAPITAL ASSETS (Continued)

| | Balance 12/31/2022 | Additions | Deletions | Balance 12/31/2023 |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| Business - Type Activities | | | | |
| <i>Capital Assets, Not Being Depreciated:</i> | | | | |
| Land | \$ 1,151,315 | \$ - | \$ - | \$ 1,151,315 |
| Construction in Progress | 21,862,909 | 8,256,727 | (3,717,789) | 26,401,847 |
| <i>Total Capital Assets, Not Being Depreciated</i> | <i>23,014,224</i> | <i>8,256,727</i> | <i>(3,717,789)</i> | <i>27,553,162</i> |
| <i>Capital Assets, Being Depreciated:</i> | | | | |
| Buildings and Improvements | 55,807,553 | 2,927,473 | - | 58,735,026 |
| Machinery and Equipment | 32,931,174 | 508,537 | (68,083) | 33,371,628 |
| Furniture and Fixtures | 30,957 | - | - | 30,957 |
| Leased Assets | 26,027 | - | - | 26,027 |
| Infrastructure: | | | | |
| Water Lines | 83,129,358 | 1,067,405 | - | 84,196,763 |
| Sewer Lines | 159,557,201 | - | - | 159,557,201 |
| <i>Total Capital Assets, Being Depreciated</i> | <i>331,482,270</i> | <i>4,503,415</i> | <i>(68,083)</i> | <i>335,917,602</i> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (37,946,874) | (953,083) | - | (38,899,957) |
| Machinery and Equipment | (22,051,924) | (801,852) | 56,083 | (22,797,693) |
| Furniture and Fixtures | (1,238) | (619) | - | (1,857) |
| Leased Assets | (7,315) | (7,315) | - | (14,630) |
| Infrastructure: | | | | |
| Water Lines | (23,206,417) | (1,509,947) | - | (24,716,364) |
| Sewer Lines | (50,377,626) | (2,189,660) | - | (52,567,286) |
| <i>Total Accumulated Depreciation</i> | <i>(133,591,394)</i> | <i>(5,462,476)</i> | <i>56,083</i> | <i>(138,997,787)</i> |
| Total Capital Assets, Being Depreciated, Net | 197,890,876 | (959,061) | (12,000) | 196,919,815 |
| Business - Type Activities Capital Assets, Net | \$ 220,905,100 | \$ 7,297,666 | \$ (3,729,789) | \$ 224,472,977 |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 11: RISK MANAGEMENT

Property and Liability

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

| Type of Coverage | Limits of Coverage |
|---|--------------------|
| Property Including Auto Physical Damage | \$ 296,958,000 |
| Liability: | 10,000,000 |
| General Liability | |
| Law Enforcement Liability | |
| Automobile Liability | |
| Public Officials Errors & Omissions | |
| Sexual Harassment | 4,000,000 |
| Sexual Abuse Liability | 4,000,000 |
| Crime: | |
| Employee Dishonesty | 2,000,000 |
| Depositors Forgery | 2,000,000 |
| Computer Fraud | 2,000,000 |
| Money & Securities | 250,000 |
| Cyber Liability | 1,000,000 |
| Boiler & Machinery | 100,000,000 |

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

Workers' Compensation

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Health Insurance Benefits

The City manages the hospital/medical, and prescription drug benefits for its employees on a self-insured basis through the hospitalization self-insurance internal service fund. Rates for 2022 were \$824/single and \$2,199/family per month.

Employees pay \$80 per month for single coverage, \$160 for family + 1 coverage (example: employee and spouse only), and \$205 for family coverage in excess of two individuals. The Plan Administrator for the City determines these rates. Medical Mutual of Ohio, the third-party administrator, processes and pays the medical and prescription drug claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$125,000 per employee and an aggregate of \$9,243,646 per year. The \$125,000 specific threshold was exceeded by \$1,281,504. The City received an invoice credit for the excess. The aggregate was not exceeded.

Vision and dental benefits for the City's employees are provided through The Guardian Life Insurance Company of America. Vision benefits are administered by Vision Service Plan (VSP). The rate per month is \$14 for both single and family coverage for vision benefits only. The employees contribute 100 percent of the cost of dental insurance. Employees contribute \$3.39 for single coverage and \$7.67 for family coverage for vision and \$22.70 for single coverage and \$63.63 for family coverage for dental.

The claims liability of \$961,748 reported in the hospitalization fund at December 31, 2023 was estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include other allocated claim adjustment expenses. Changes in the fund's claims liability amount for 2022 and 2023 were:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---|------------------------------------|---------------------------|---------------------------------------|
| 2022 | \$ 758,652 | \$ 9,659,134 | \$ 9,460,306 | \$ 559,824 |
| 2023 | 559,824 | 9,930,635 | 9,528,711 | 961,748 |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS

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

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity |
|---|---------------|-----------------------|------------------|
| <i>General Obligation Bonds:</i> | | | |
| 2003 Park and Street Improvements (G.O. Portion) | 2.00 - 5.00 % | \$ 1,200,500 | December 1, 2023 |
| 2011 Street Improvements (G.O. Portion) | 2.00 - 5.45 | 455,920 | December 1, 2031 |
| 2011 Various Purpose Refunding (G.O. Portion) | 3.00 - 4.75 | 2,074,175 | December 1, 2024 |
| 2017 Pellet Terminal Refunding Bond | 3.125-4.00 | 4,440,000 | December 1, 2028 |
| 2017 Fire Department Improvement Bond | 3.00-4.00 | 1,500,000 | December 1, 2026 |
| 2017 Erie Avenue Road Improvement Bond | 3.00-4.00 | 915,000 | December 1, 2036 |
| 2019 Service Complex Bond | 3.00-3.125 | 9,155,000 | December 1, 2039 |
| 2020 Various Purpose Refunding | 2.00-4.00 | 10,320,000 | December 1, 2032 |
| 2020 Health Bond Refunding | 1.00-1.50 | 2,745,000 | December 1, 2025 |
| 2021 Various Purpose Refunding (G.O Portion) | 2.375-4.00 | 12,774,221 | December 1, 2042 |
| <i>Special Assessment Bonds with Government Commitment:</i> | | | |
| 2003 Park and Street Improvements (S.A. Portion) | 2.00 - 5.00 | 574,500 | December 1, 2023 |
| 2009 Street Improvements | 5.00 - 7.25 | 390,000 | December 1, 2029 |
| 2010 Street Improvements | 4.00 - 5.875 | 245,000 | December 1, 2030 |
| 2011 Street Improvements | 2.00 - 5.45 | 554,080 | December 1, 2031 |
| 2021 Broadway Streetscape Improvements Refunding - (S.A. portion) | 2.375-4.00 | 505,779 | December 1, 2042 |
| <i>Ohio Public Works Commission Loans:</i> | | | |
| 2008 Local Roadway Rehab (#CI11L) | 0.00 | 130,376 | January 1, 2024 |
| 2010 Local Roadway Rehab (#CI32N) | 0.00 | 577,480 | July 1, 2026 |
| 2012 Local Roadway Rehab (#CI12O) | 0.00 | 200,848 | July 1, 2027 |
| Washington Avenue Bridge (#CI36O) | 0.00 | 123,154 | January 1, 2032 |
| 2013 Local Roadway Rehab (#CI24P) | 0.00 | 186,004 | July 1, 2028 |
| 2014 Local Roadway Rehab (#CI46R) | 0.00 | 296,634 | January 1, 2027 |
| 2015 Local Roadway Rehab (#CI26T) | 0.00 | 240,418 | January 1, 2031 |
| 2016 Local Roadway Rehab (#CI41U) | 0.00 | 272,371 | July 1, 2029 |
| 2017 Local Roadway Rehab (#CI07V) | 0.00 | 180,414 | July 1, 2030 |
| 2018 Local Roadway Rehab (#CI48W) | 0.00 | 142,367 | July 1, 2031 |
| 2020 Local Roadway Rehab (#CI30Y) | 0.00 | 5,273 | July 1, 2036 |
| 2022 Local Roadway Rehab (#CI18Z) | 0.00 | 1,297 | July 1, 2037 |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity |
|---|---------------|-----------------------|-------------------|
| <i>Ohio Department of Transportation State Infrastructure Bank Loans:</i> | | | |
| 2013 Issue 2 (LRR Rnd 25) (#SB130004) | 3.00 | 425,341 | February 8, 2023 |
| 2013 Washington & Reid Avenue Rehab (#SB130005) | 3.00 | 1,330,825 | February 8, 2023 |
| 2013 SR611 (#SB130006) | 3.00 | 577,103 | February 8, 2023 |
| 2013 Local Roadway (5) (#SB130009) | 3.00 | 1,986,249 | July 26, 2028 |
| 2016 Local Roadway (7) & SR 57 (#SB160012) | 3.00 | 1,651,250 | June 1, 2026 |
| 2017 Local Roadway (12) (#SB170010) | 3.00 | 1,415,849 | July 1, 2027 |
| 2018 Local Roadway (12) (#SB180014) | 3.00 | 1,869,113 | September 1, 2025 |
| 2022 Local Roadway (6) (#SB230005) | 3.00 | 537,036 | September 1, 2025 |
| <i>Installment Loans</i> | | | |
| State of Ohio GRF Bond Loan | 2.00 - 5.00 | 7,061,249 | November 1, 2034 |
| <i>Ohio Water Development Authority Loans:</i> | | | |
| 2003 4W Waterline Replacement (Various locations) (#3814) | 4.90 | 3,585,574 | July 1, 2034 |
| 2004 Kay Drive Retention Basin (#4150) | 3.81 | 2,295,633 | July 1, 2024 |
| 2004 Amherst Township Relief Sewer (#4151) | 3.81 | 898,208 | July 1, 2024 |
| 2004 Pearl Road & Tacoma Pump Station (#4156) | 3.81 | 1,282,116 | January 1, 2025 |
| 2006 East Central Relief Sewer (#4548) | 4.59 | 3,400,652 | July 1, 2027 |
| 2006 Westside Relief Sewer (#4586) | 3.24 | 22,145,154 | July 1, 2028 |
| 2007 Brownell Avenue Waterline (#4775) | 4.47 | 770,575 | January 1, 2028 |
| 2010 Pearl Avenue Water Mains (#5628) | 3.84 | 1,700,936 | January 1, 2031 |
| 2011 28th Street Waterline (#5863) | 4.45 | 1,749,427 | January 1, 2032 |
| 2012 Black River Tunnel Phase I (#6166) | 2.48 | 68,168,710 | January 1, 2036 |
| 2013 Oberlin Avenue Waterline Replacement (#6394) | 3.09 | 3,920,087 | January 1, 2034 |
| 2013 SR611 Waterline Replacement (#6416) | 3.15 | 3,754,426 | January 1, 2034 |
| 2013 Washington & Reid Ave. Waterline Replacement (#6461) | 3.44 | 7,924,151 | July 1, 2034 |
| 2013 Westside Elevated Tank (#6466) | 3.29 | 3,733,655 | January 1, 2035 |
| 2013 South Lorain Waterline Replacement Phase 1 (#6542) | 4.24 | 4,581,899 | July 1, 2034 |
| 2013 Euclid Avenue Waterline Replacement (#6614) | 4.12 | 1,719,793 | July 1, 2034 |
| 2014 2nd, 4th, 5th, 6th, Hamilton & Reid Waterline Repl (#6716) | 3.95 | 4,256,286 | January 1, 2036 |
| 2014 E. 31st St. Bridge Waterline Replacement (#6789) | 3.31 | 619,678 | January 1, 2035 |
| 2015 Elyria Avenue Waterline Replacement (#6917) | 2.56 | 1,447,864 | July 1, 2035 |
| 2015 South Lorain Waterline Replacement Phase II (#7038) | 2.91 | 5,878,090 | July 1, 2036 |
| 2015 Broadway, Skyline, Jaeger Waterline Replacement (#7086) | 3.04 | 3,979,190 | January 1, 2037 |
| 2016 Crehore Street, Waterline Replacement (#7264) | 2.54 | 767,700 | July 1, 2036 |
| 2017 WTP Master Plan (#7865) | 0.00 | 494,104 | July 1, 2023 |
| 2017 Red Hill Transmission Main Design (#7916) | 1.34 | 561,136 | July 1, 2023 |
| 2018 South Lorain Waterline Replacement Phase III (#7998) | 1.45 | 3,871,924 | January 1, 2039 |
| 2018 West Lorain Waterline Improvement (#8099) | 2.9 | 4,690,190 | July 1, 2039 |
| 2019 Black River WWTP Mechanical Bar Screen (#8487) | 2.09 | 1,391,360 | January 1, 2041 |
| 2020 Black River WWTP Digester Improvement (#9113) | 1.95 | 240,550 | July 1, 2026 |
| 2020 Martins Run Pump Station (#9120) | 0.00 | 457,900 | January 1, 2027 |
| 2020 Water Main Replacement Program (#9040) | 1.92 | 301,777 | July 1, 2026 |
| 2021 Black River WWTP Primary Clarifier (#9201) | 0.53 | 1,678,282 | July 1, 2042 |
| 2021 Red Hill Pressure Zone (#9241) | 1.0 | 9,879,000 | July 1, 2043 |
| 2022 Water Treatment Plant Design (#9851) | 0.00 | 4,250,000 | January 1, 2029 |
| 2022 East Lorain Waterline Replacement (#9895) | 2.23 | 4,867,345 | January 1, 2044 |
| 2022 Water Main Replacement Program (#9970) | 3.07 | 2,059,747 | July 1, 2044 |
| 2023 Water Main Replacement Program (#10394) | 0.00 | 750,000 | January 1, 2031 |
| 2023 Lead Service Line Replacement (#10428) | 0.00 | 5,212,323 | January 1, 2046 |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

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

| | Principal Outstanding 12/31/2022 | Additions | Deletions | Principal Outstanding 12/31/2023 | Due Within One Year |
|---|--|-----------------------------|-----------------------------|--|-----------------------------|
| Governmental Activities | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| 2003 Park and Street Improvements (G.O. Portion) | \$ 87,923 | \$ - | \$ 87,923 | \$ - | \$ - |
| 2011 Street Improvements (G.O. Portion) | 259,561 | - | 22,570 | 236,991 | 24,827 |
| Unamortized Discount | (2,116) | - | (247) | (1,869) | - |
| 2011 Various Purpose Refunding (G.O. Portion) | 275,000 | - | 135,000 | 140,000 | 140,000 |
| Unamortized Discount | (370) | - | (225) | (145) | - |
| Phase II & III Refunding | 2,505,000 | - | 215,000 | 2,290,000 | 225,000 |
| Unamortized Premium | 5,254 | - | 546 | 4,708 | - |
| 2017 Pellet Terminal Refunding Bond | 2,860,000 | - | 435,000 | 2,425,000 | 455,000 |
| Unamortized Premium | 89,540 | - | 16,674 | 72,866 | - |
| 2017 Fire Department Improvements Bond | 695,000 | - | 165,000 | 530,000 | 170,000 |
| Unamortized Premium | 28,691 | - | 8,521 | 20,170 | - |
| 2017 Erie Street Road Improvements Bond | 715,000 | - | 40,000 | 675,000 | 40,000 |
| Unamortized Premium | 10,049 | - | 752 | 9,297 | - |
| 2019 Service Complex Bond | 8,190,000 | - | 375,000 | 7,815,000 | 390,000 |
| Unamortized Premium | 74,249 | - | 4,775 | 69,474 | - |
| 2020 Various Purpose Refunding | 7,960,000 | - | 1,160,000 | 6,800,000 | 1,215,000 |
| Unamortized Premium | 748,046 | - | 115,399 | 632,647 | - |
| 2020 Health Refunding | 1,660,000 | - | 545,000 | 1,115,000 | 555,000 |
| 2021 Various Purpose Refunding | 12,054,012 | - | 753,099 | 11,300,913 | 782,592 |
| Unamortized Premium | 1,853,948 | - | 146,875 | 1,707,073 | - |
| <i>Total General Obligation Bonds</i> | <u>40,068,787</u> | <u>-</u> | <u>4,226,662</u> | <u>35,842,125</u> | <u>3,997,419</u> |
| <i>Special Assessment Bonds with Government Commitment:</i> | | | | | |
| 2003 Park and Street Improvements (S.A. Portion) | 42,077 | - | 42,077 | - | - |
| 2009 Street Improvements | 195,000 | - | 20,000 | 175,000 | 25,000 |
| Unamortized Premium | 4,211 | - | 622 | 3,589 | - |
| 2010 Street Improvements | 130,000 | - | 15,000 | 115,000 | 15,000 |
| Unamortized Discount | (1,681) | - | (211) | (1,470) | - |
| 2011 Street Improvements | 315,440 | - | 27,430 | 288,010 | 30,173 |
| Unamortized Discount | (2,573) | - | (300) | (2,273) | - |
| 2021 Various Purpose Refunding | 490,988 | - | 16,902 | 474,086 | 17,408 |
| Unamortized Premium | 8,541 | - | 431 | 8,110 | - |
| <i>Total Special Assessment Bonds</i> | <u>1,182,003</u> | <u>-</u> | <u>121,951</u> | <u>1,060,052</u> | <u>87,581</u> |
| <i>Other Long Term Obligations:</i> | | | | | |
| Net Pension Liability | | | | | |
| OPERS | 5,661,525 | 13,229,127 | - | 18,890,652 | - |
| OP&F | 32,947,491 | 21,165,438 | - | 54,112,929 | - |
| <i>Total Net Pension Liability</i> | <u>38,609,016</u> | <u>34,394,565</u> | <u>-</u> | <u>73,003,581</u> | <u>-</u> |
| Net OPEB Liability | | | | | |
| OPERS | - | 392,981 | - | 392,981 | - |
| OP&F | 5,780,510 | - | 1,724,639 | 4,055,871 | - |
| <i>Total Net OPEB Liability</i> | <u>5,780,510</u> | <u>392,981</u> | <u>1,724,639</u> | <u>4,448,852</u> | <u>-</u> |
| OPWC Loans - Direct Borrowings | | | | | |
| - | 1,263,648 | 1,297 | 205,755 | 1,059,190 | 199,489 |
| ODOT State Infrastructure Bank Loans | | | | | |
| - | 4,384,021 | 537,036 | 1,085,100 | 3,835,957 | 949,100 |
| Installment Loans | | | | | |
| - | 4,619,147 | - | 325,000 | 4,294,147 | 335,000 |
| Financed Purchases Payable | | | | | |
| - | 2,890,050 | 4,933,242 | 1,119,720 | 6,703,572 | 1,566,215 |
| Intergovernmental Payable | | | | | |
| - | 131,900 | - | - | 131,900 | - |
| Pollution Remediation | | | | | |
| - | 6,289,439 | - | 1,491,099 | 4,798,340 | 868,296 |
| Leases | | | | | |
| - | 88,938 | - | 35,415 | 53,523 | 35,628 |
| Compensated Absences | | | | | |
| - | 7,340,029 | 3,163,915 | 1,468,029 | 9,035,915 | 2,642,032 |
| <i>Total Other Long Term Obligations</i> | <u>71,396,698</u> | <u>43,423,036</u> | <u>7,454,757</u> | <u>107,364,977</u> | <u>6,595,760</u> |
| <i>Total Governmental Activities</i> | <u><u>\$ 112,647,488</u></u> | <u><u>\$ 43,423,036</u></u> | <u><u>\$ 11,803,370</u></u> | <u><u>144,267,154</u></u> | <u><u>\$ 10,680,760</u></u> |

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

| Business-Type Activities | Principal Outstanding 12/31/2022 | Additions | Deletions | Principal Outstanding 12/31/2023 | Due Within One Year |
|--|---|----------------------|---------------------|---|--------------------------------|
| <i>Ohio Water Development Authority Loans - Direct Borrowings:</i> | | | | | |
| 4W Waterline Replacement | | | | | |
| | 1,998,407 | - | 133,063 | 1,865,344 | 139,663 |
| Kay Drive Retention Basin | 238,438 | - | 157,455 | 80,983 | 80,983 |
| Amherst Township Relief Sewer | 93,294 | - | 61,607 | 31,687 | 31,687 |
| Pearl Road & Tacoma Pump Station | 175,908 | - | 86,295 | 89,613 | 89,613 |
| East Central Relief Sewer | 1,053,020 | - | 215,783 | 837,237 | 225,801 |
| Westside Relief Sewer | 7,312,940 | - | 1,096,318 | 6,216,622 | 1,304,833 |
| Brownell Avenue Waterline | 260,362 | - | 47,573 | 212,789 | 49,723 |
| Pearl Avenue Water Main | 837,748 | - | 91,319 | 746,429 | 94,859 |
| 28th Street Waterline | 977,553 | - | 90,498 | 887,055 | 94,570 |
| Black River Tunnel Phase I | 47,926,936 | - | 3,172,613 | 44,754,323 | 3,251,781 |
| Oberlin Ave. Waterline Replacement | 2,448,260 | - | 190,038 | 2,258,222 | 195,955 |
| SR 611 Waterline Replacement | 2,200,114 | - | 31,909 | 2,168,205 | 187,616 |
| Washington & Reid Waterline Repl | 5,199,566 | - | 375,615 | 4,823,951 | 388,647 |
| Westside Elevated Tank | 2,523,854 | - | 174,657 | 2,349,197 | 180,450 |
| S. Lorain Waterline Repl. Phase I | 3,088,104 | - | 213,382 | 2,874,722 | 222,525 |
| Euclid Ave. Waterline Replacement | 1,154,562 | - | 80,314 | 1,074,248 | 83,657 |
| 2nd, 4th, 5th, 6th, Hamilton & Reid Ave. | | | | | |
| Waterline Replacement | 3,126,444 | - | 188,166 | 2,938,278 | 195,672 |
| E. 31st St. Bridge Waterline Repl | 417,293 | - | 29,070 | 388,223 | 30,000 |
| Elyria Avenue Waterline Repl | 988,985 | - | 68,068 | 920,917 | 69,821 |
| S. Lorain Waterline Repl Phase II | 4,325,556 | - | 265,801 | 4,059,755 | 273,592 |
| South Lorain Waterline Repl Phase III | 2,815,609 | - | 95,736 | 2,719,873 | 163,565 |
| Broadway, Skyline, Jaeger Waterline Replacement | 3,025,918 | - | 176,340 | 2,849,578 | 181,741 |
| Crehore Street Waterline Replacement | 559,265 | - | 35,212 | 524,053 | 36,112 |
| W Lorain Waterline Improvement | 4,051,529 | - | 194,611 | 3,856,918 | 200,295 |
| WTP Master Plan | 90,674 | - | 90,674 | - | - |
| Red Hill Transmission Main Design | 57,740 | - | 57,740 | - | - |
| Martins Run Pump Station | 323,120 | 25,000 | 91,580 | 256,540 | - |
| Black River WWTP Mechanical Bar Screen | 1,214,291 | - | 51,297 | 1,162,994 | 57,629 |
| Black River WWTP Digestor Improvement | 177,720 | 21,746 | 12,027 | 187,439 | - |
| Water Main Replacement Program | 297,508 | 1,762,240 | - | 2,059,748 | - |
| BRWWTP Primary Clarifier | 1,447,218 | 69,784 | 80,001 | 1,437,001 | 80,426 |
| Red Hill Pressure Zone Improvemnet Phase 1 | 9,041,897 | 861,494 | 465,771 | 9,437,620 | 483,281 |
| Water Treatment Plant Design | 90,460 | 1,077,626 | - | 1,168,086 | - |
| East Lorain Waterline Replacement | 1,566,680 | 2,921,285 | - | 4,487,965 | 197,142 |
| Water Main Replacement Program Year 2 | - | 44,210 | - | 44,210 | - |
| Lead Service Line Replacement | - | 42,393 | - | 42,393 | - |
| <i>Total Ohio Water Development Authority Loans</i> | 111,106,973 | 6,825,778 | 8,120,533 | 109,812,218 | 8,591,639 |
| <i>Other Long Term Obligations:</i> | | | | | |
| Net Pension Liability | | | | | |
| Water - OPERS | 2,117,681 | 4,557,900 | - | 6,675,581 | - |
| Sewer - OPERS | 2,563,748 | 7,622,629 | - | 10,186,377 | - |
| <i>Total Net Pension Liability</i> | 4,681,429 | 12,180,529 | - | 16,861,958 | - |
| Net OPEB Liability | | | | | |
| Water - OPERS | - | 138,872 | - | 138,872 | - |
| Sewer - OPERS | - | 211,907 | - | 211,907 | - |
| <i>Total Net OPEB Liability</i> | - | 350,779 | - | 350,779 | - |
| Financed Purchases Payable | | | | | |
| Leases | 304,111 | 2,766,758 | 304,111 | 2,766,758 | 506,085 |
| Asset Retirement Obligation | 18,644 | - | 7,424 | 11,220 | 7,469 |
| Compensated Absences | 384,425 | - | - | 384,425 | - |
| <i>Total Other Long Term Obligations</i> | 1,690,159 | 460,650 | 313,738 | 1,837,071 | 483,526 |
| <i>Total Business-Type Activities</i> | \$ 118,185,741 | \$ 22,584,494 | \$ 8,745,806 | \$ 132,024,429 | \$ 9,588,719 |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

General obligation bonds will be paid from the General Obligation Bond Retirement debt service fund, garage and hospitalization internal service funds. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

In 2007, the City defeased a 2000 Riverfront Urban Renewal General Obligation Bond in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2023, \$1,510,000 of the defeased bonds is still outstanding.

In 2017, the City defeased the Pellet Terminal Improvement General Obligation Bond in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2023, \$2,070,000 of the defeased bonds is still outstanding.

The City has pledged a portion of permissive license tax revenues to repay \$915,000 in general obligation bonds issued in 2017 to finance the reconstruction and repair of local roadways. These bonds are payable solely from the permissive license tax revenue in the permissive license fund and is projected to use approximately 6 percent of the available permissive license tax over the life of the bonds. Total principal and interest remaining on the bonds is \$870,981, payable through 2036. Principal and interest payments for the current year were \$65,644 and total permissive license tax revenues were \$1,061,016.

The City has pledged a portion of municipal income tax revenues to repay \$8,825,000 in general obligation bonds issued in 2013 and 2014 to finance the reconstruction and repair of local roadways. These bonds are payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 19 percent of the available municipal income tax over the life of the bonds. Total principal and interest remaining on the bonds is \$4,981,000 payable through 2034. Principal and interest payments for the current year were \$572,600 and total income tax revenues were \$3,122,877.

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

The City has pledged a portion of permissive license tax revenues to repay \$4,358,928 in ODOT State infrastructure bank loans issued in 2016, 2017, and 2022 to finance the reconstruction and repair of local roadways. These loans are payable solely from the permissive license tax revenue in the permissive license fund and is projected to use approximately 60 percent of the available permissive license tax over the life of the loans. Total principal and interest remaining on the bonds is \$3,794,553, payable through 2027. Principal and interest payments for the current year were \$440,098 and total permissive license tax revenues were \$1,061,016.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

The City has pledged a portion of municipal income tax revenues to repay \$6,188,631 in ODOT State infrastructure bank loans received in 2013 and 2018 to finance the reconstruction and repair of local roadways. These loans are payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 32 percent of the available municipal income tax over the life of the loan. Total principal and interest remaining on the loan is \$1,738,916, payable through 2028. Principal and interest payments for the current year were \$590,994 and total income tax revenues were \$1,738,916.

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

The City has pledged a portion of municipal income tax revenues to repay a \$7,061,249 installment loan to finance the reconstruction and repair of local roadways. This loan is payable solely from the one-quarter percent municipal income tax revenue in the streets fund and is projected to use approximately 17 percent of the available municipal income tax over the life of the loan. Total principal and interest remaining on the loan is \$5,304,196, payable through 2034. Principal and interest payments for the current year were \$495,652 and total income tax revenues were \$3,122,877.

Financed Purchases Payable will be paid from the general fund, the street construction, police levy, cemetery, and parkland special revenue funds.

In an effort to revitalize its downtown area, in 2002 the City purchased the old pellet terminal site, a total of 19 acres, on the Black River for future development. This site was previously used for storing, loading and unloading iron ore pellets onto ships and by rail for use in northeast Ohio steel production since the 1890's and was also the location of the former Brush Beryllium Plant until 1948. The City voluntarily determined that due to the nature of the previous land use, an environmental assessment on the property was warranted before any development could commence. The City contracted with a certified consultant in 2006 to assess the property. The assessment was reviewed and updated during 2021. It was determined by the consultant that environmental remediation was necessary due to unacceptable concentrations of beryllium, lead, and other miscellaneous chemicals and to comply with the Ohio Environmental Protection Agency's voluntary action plan standards for environmental contamination cleanup.

The cost of the remediation estimated by the consultants is \$4,474,082, of that amount \$183,578 is due within one year, as of 2023 with the potential for additional costs in the future due to price increases. The City has been awarded \$4,025,899 in the Brownfield Remediation Grant Funds from the Ohio Department of Development to assist with the costs of the project. The City expects no other recoveries to reduce the liability for the remediation.

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

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

The cost of remediation is estimated to be \$324,258, of that amount \$73,876 is due within one year, as of 2023, subject to price increases and other required services not included in the estimate.

The City has been awarded \$709,167 in Brownfield Remediation Grant Funds from the Ohio Department of Development to asset with the costs of the project. The City expects no recoveries to reduce the liability for the cost of remediation.

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

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

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

The OWDA water facility loans, and the financed purchases payable for equipment will be paid from water user charges. The OWDA sewer facility loans, and the financed purchases payable for equipment will be paid from sewer user charges.

The City has pledged future revenues to repay OWDA loans in the Water Works fund. The debt is payable solely from net revenues and is payable through 2039. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 40 percent of net revenues and less than 29 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$71,347,557. Principal and interest payments for the current year were \$5,951,096, net revenues were \$4,598,078, and total revenues were \$14,729,687.

The City has pledged future revenues to repay OWDA loans in the Water Pollution Control fund. The debt is payable solely from net revenues and is payable through 2040. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 73 percent of net revenues and less than 41 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$78,036,687. Principal and interest payments for the current year were \$6,891,550, net revenues were \$4,616,269, and total revenues were \$17,258,908.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

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

The City's total direct borrowings from OPWC contain a provision that in an event of default the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due.

Also, OPWC may direct the county treasurer to pay the outstanding amount from the portion of the local government fund that would otherwise be remitted to the City.

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

On January 1, 2022, the City entered into a 42 month lease with comdoc for copiers. The initial lease liability was reported in the amount of \$150,186 with the City making fixed monthly payments in the amount of \$3,614. The liability remaining on the lease at December 31, 2023 was \$64,743. Below is the schedule of Principal and Interest requirements to maturity.

| Fiscal Year | Business-Type Activities | | |
|-------------|--------------------------|--------------|------------------|
| | Principal | Interest | Total |
| 2024 | \$ 7,469 | \$ 47 | \$ 7,516 |
| 2025 | 3,751 | 7 | 3,758 |
| Total | <u>\$ 11,220</u> | <u>\$ 54</u> | <u>\$ 11,274</u> |

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|---------------|------------------|
| | Principal | Interest | Total |
| 2024 | \$ 35,628 | \$ 224 | \$ 35,852 |
| 2025 | 17,895 | 31 | 17,926 |
| Total | <u>\$ 53,523</u> | <u>\$ 255</u> | <u>\$ 53,778</u> |

The City's overall legal debt margin was \$95,140,549 at December 31, 2023.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

Governmental Activities

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2023 are as follows:

| Years | General Obligation Bonds | | | Special Assessment Bonds | | |
|-----------|--------------------------|---------------------|---------------------|--------------------------|--|--|
| | Principal | Interest | Principal | Interest | | |
| 2024 | \$ 3,997,419 | \$ 1,174,295 | \$ 87,581 | \$ 51,512 | | |
| 2025 | 3,956,896 | 1,042,037 | 88,104 | 46,757 | | |
| 2026 | 3,518,436 | 903,500 | 96,564 | 41,808 | | |
| 2027 | 2,919,947 | 774,821 | 100,053 | 36,327 | | |
| 2028 | 2,969,171 | 667,567 | 100,829 | 30,551 | | |
| 2029-2033 | 9,447,953 | 2,041,874 | 312,046 | 76,735 | | |
| 2034-2038 | 5,411,771 | 714,939 | 138,229 | 32,303 | | |
| 2039-2042 | 1,106,311 | 49,175 | 128,690 | 7,731 | | |
| Total | <u>\$ 33,327,904</u> | <u>\$ 7,368,208</u> | <u>\$ 1,052,096</u> | <u>\$ 324,515</u> | | |

| Years | ODOT State Infrastructure Bank | | | Installment Loans | | | Total Governmental Activities | |
|-----------|--------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------------------|----------|
| | OPWC Loans | Loans | Interest | Principal | Interest | Principal | Principal | Interest |
| 2024 | \$ 199,489 | \$ 949,100 | \$ 81,993 | \$ 335,000 | \$ 160,652 | \$ 1,483,589 | \$ 242,645 | |
| 2025 | 193,020 | 1,140,779 | 78,855 | 345,000 | 150,046 | 1,678,799 | 228,901 | |
| 2026 | 193,020 | 650,174 | 47,258 | 355,000 | 138,250 | 1,198,194 | 185,508 | |
| 2027 | 148,599 | 551,379 | 29,202 | 370,000 | 123,337 | 1,069,978 | 152,539 | |
| 2028 | 105,206 | 360,257 | 13,927 | 385,000 | 108,500 | 850,463 | 122,427 | |
| 2029-2033 | 218,493 | 184,268 | 4,274 | 2,130,000 | 320,591 | 2,532,761 | 324,865 | |
| 2034-2037 | 1,363 | - | - | 374,147 | 11,571 | 375,510 | 11,571 | |
| Total | <u>\$ 1,059,190</u> | <u>\$ 3,835,957</u> | <u>\$ 255,509</u> | <u>\$ 4,294,147</u> | <u>\$ 1,012,947</u> | <u>\$ 9,189,294</u> | <u>\$ 1,268,456</u> | |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities:

| <u>OWDA Loans</u> | | |
|-------------------|-----------------------------|----------------------------|
| Years | Principal | Interest |
| 2024 | \$8,591,639 | \$2,688,661 |
| 2025 | 8,627,479 | 2,453,913 |
| 2026 | 8,873,061 | 2,215,702 |
| 2027 | 8,995,520 | 1,970,078 |
| 2028 | 8,309,646 | 1,725,291 |
| 2029-2033 | 40,421,677 | 5,428,191 |
| 2034-2038 | 18,845,802 | 984,720 |
| 2039-2042 | 3,388,978 | 117,963 |
| Total | <u>\$106,053,802</u> | <u>\$17,584,519</u> |

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

NOTE 13: FINANCED PURCHASES PAYABLE

During 2023, the City entered into a lease for various equipment and vehicles for the following departments: fire, street, parks, cemetery, utilities, and police. In previous years the City entered into leases for equipment and fleet vehicles for police, streets, parks, cemetery, building department, water and water pollution control and a fire truck ladder. Included in the leases are fleet vehicles consisting of pickup trucks and vans, dump trucks, police vehicles, a mini excavator, a tractor, equipment trailers, an asphalt recycler, diesel pumps, a camera truck, a jet/vactor combination truck, and zero turn mowers. All leases are secured by the related property as mentioned above. Financed Purchases Payable payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

As part of the agreement for the 2022 lease for police and fire equipment, Bank of America, the lessor, deposited \$2,061,000 in an escrow account with Northwest Bank, escrow agent, in 2021 so that the City could obtain the equipment from various vendors. As of December 31, 2023, the balance of escrow account in the amount of \$268,318 will be paid to the vendors in 2024 at the direction of the City upon receipt of the equipment.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 13: FINANCED PURCHASES PAYABLE (Continued)

As part of the agreement for the 2023 lease for various equipment, Bank of America, the lessor, deposited \$7,700,000 in an escrow account with Northwest Bank, escrow agent, in 2021 so that the City could obtain the equipment from various vendors. As of December 31, 2023, the balance of escrow account in the amount of \$7,689,985 will be paid to the vendors in 2024 at the direction of the City upon receipt of the equipment.

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

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

| | Governmental Activities | Business-Type Activities |
|--|------------------------------------|-------------------------------------|
| <i>Capital Assets, Being Depreciated:</i> | | |
| Machinery and Equipment | \$ 12,267,717 | \$ 5,780,927 |
| Less Accumulated Depreciation: | | |
| Machinery and Equipment | (5,675,455) | (2,079,387) |
| <i>Capital Assets, Net</i> | <u>\$ 6,592,262</u> | <u>\$ 3,701,540</u> |

The following is a schedule of the future long-term minimum payments required for financed purchases as of December 31, 2023:

| Year Ending December 31, | Governmental Activities | Business-Type Activities |
|--|------------------------------------|-------------------------------------|
| 2024 | \$ 1,808,165 | \$ 617,114 |
| 2025 | 1,547,436 | 617,114 |
| 2026 | 1,547,436 | 617,114 |
| 2027 | 1,361,145 | 617,114 |
| 2028 | 1,100,338 | 617,114 |
| Total Minimum Lease Payments | 7,364,520 | 3,085,570 |
| Less: Amount Representing Interest | (660,948) | (318,812) |
| Present Value of Minimum Lease Payments | <u>\$ 6,703,572</u> | <u>\$ 2,766,758</u> |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 14: COMPENSATED ABSENCES

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

NOTE 15: DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

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

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Cost-of-living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

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

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

Beginning in 2022, the combined plan was consolidated under the traditional pension plan (defined benefit plan) and the combined is no longer available for new hire beginning in 2022.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

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

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

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

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

** These pension and employer health care rates are for the traditional plan. Beginning July 1, 2022, the employer contribution rate for the combined plan is allocated 2 percent health care with the remainder going to pension. The employer contributions rate for the member-directed plan allocated 4 percent for health care with remainder going to pension.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2023 for the Traditional plan. The portion of the employer's contribution allocated to health care was 2% for the Combined plan and 4% for the Member-Directed plan for 2023. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$2,571,147 for fiscal year ending December 31, 2023. Of this amount, \$538,989 is reported as an intergovernmental payable.

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$3,067,900 for 2023. Of this amount, \$387,371 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:

| | OPERS | | | |
|--|------------------|-------------------|-------------------|---------------|
| | Traditional | OP&F | OP&F | |
| | Pension Plan | Police | Fire | Total |
| Proportion of the Net Pension Liability | | | | |
| Prior Measurement Date | 0.118879% | 0.2946588% | 0.2327187% | |
| Proportion of the Net Pension Liability | | | | |
| Current Measurement Date | 0.121031% | 0.3118041% | 0.2578638% | |
| Change in Proportionate Share | <u>0.002152%</u> | <u>0.0171453%</u> | <u>0.0251451%</u> | |
| Proportionate Share of the Net Pension Liability | \$ 35,752,610 | \$ 29,618,368 | \$ 24,494,561 | \$ 89,865,539 |
| Pension Expense | \$ 6,196,091 | \$ 4,134,420 | \$ 3,256,344 | \$ 13,586,855 |

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

| | OPERS | OP&F Police | OP&F Fire | Total |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Deferred Outflows of Resources | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 10,190,615 | \$ 4,312,073 | \$ 3,566,107 | \$ 18,068,795 |
| Differences between expected and actual experience | 1,187,551 | 444,264 | 367,404 | 1,999,219 |
| Changes of assumptions | 377,701 | 2,671,473 | 2,209,328 | 5,258,502 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 984,612 | 1,780,942 | 2,477,492 | 5,243,046 |
| City contributions subsequent to the measurement date | <u>2,571,147</u> | <u>1,677,696</u> | <u>1,390,204</u> | <u>5,639,047</u> |
| Total Deferred Outflows of Resources | <u><u>\$ 15,311,626</u></u> | <u><u>\$ 10,886,448</u></u> | <u><u>\$ 10,010,535</u></u> | <u><u>\$ 36,208,609</u></u> |
| Deferred Inflows of Resources | | | | |
| Changes of assumptions | \$ - | \$ 577,550 | \$ 477,637 | \$ 1,055,187 |
| Differences between expected and actual experience | - | 674,791 | 558,059 | 1,232,850 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 311,334 | 102,859 | 1,115,478 | 1,529,671 |
| Total Deferred Inflows of Resources | <u><u>\$ 311,334</u></u> | <u><u>\$ 1,355,200</u></u> | <u><u>\$ 2,151,174</u></u> | <u><u>\$ 3,817,708</u></u> |

\$5,639,047 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in the year ending December 31, 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:

| Year Ending December 31: | OPERS | OP&F Police | OP&F Fire | Total |
|--------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|
| 2024 | \$ 1,984,600 | \$ 1,122,084 | \$ 797,530 | \$ 3,904,214 |
| 2025 | 2,452,876 | 1,995,770 | 1,647,937 | 6,096,583 |
| 2026 | 2,999,593 | 1,996,501 | 1,648,660 | 6,644,754 |
| 2027 | 4,992,076 | 2,637,378 | 2,184,527 | 9,813,981 |
| 2028 | - | 101,819 | 190,504 | 292,323 |
| Total | <u><u>\$ 12,429,145</u></u> | <u><u>\$ 7,853,552</u></u> | <u><u>\$ 6,469,158</u></u> | <u><u>\$ 26,751,855</u></u> |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Actuarial Assumptions - OPERS

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

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

| | Traditional Pension Plan | Combined Plan |
|---|---|---|
| Wage Inflation | | |
| Current Measurement Date: | 2.75 percent | 2.75 percent |
| Prior Measurement Date: | 2.75 percent | 2.75 percent |
| Future Salary Increases, including inflation | | |
| Current Measurement Date: | 2.75 to 10.75 percent including wage inflation | 2.75 to 8.25 percent including wage inflation |
| Prior Measurement Date: | 2.75 to 10.75 percent including wage inflation | 2.75 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA | | |
| Pre 1/7/2013 retirees: | 3 percent, simple | 3 percent, simple |
| Post 1/7/2013 retirees: | | |
| Current Measurement Date: | 3 percent, simple through 2023, then 2.05 percent simple | 3 percent, simple through 2023, then 2.05 percent simple |
| Prior Measurement Date: | 3 percent, simple through 2022, then 2.05 percent simple | 3 percent, simple through 2022, then 2.05 percent simple |
| Investment Rate of Return | | |
| Current Measurement Date: | 6.9 percent | 6.9 percent |
| Prior Measurement Date: | 6.9 percent | 6.9 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% 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.

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – OPERS (Continued)

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

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

Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 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 the geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|------------------------|-------------------|---|
| Fixed Income | 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 was 6.9 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

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

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 53,556,218 | \$ 35,752,610 | \$ 20,943,204 |

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 reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 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 | 7.50 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 |

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% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – OP&F (Continued)

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

The most recent experience study was completed December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022 are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return ** |
|---------------------------------|---------------------|---|
| Cash and Cash Equivalents | 0.00 % | 0.00 % |
| Domestic Equity | 18.60 | 4.80 |
| International Equity | 12.40 | 5.50 |
| Core Fixed Income * | 25.00 | 2.50 |
| U.S. Inflation Linked Bonds * | 15.00 | 2.00 |
| High Yield Fixed Income | 7.00 | 4.40 |
| Private Real Estate | 12.00 | 5.30 |
| Private Markets | 10.00 | 7.90 |
| Midstream Energy Infrastructure | 5.00 | 5.90 |
| Private Credit | 5.00 | 5.90 |
| Real Assets | 8.00 | 5.90 |
| Gold | 5.00 | 3.60 |
| Commodities | 2.00 | 3.60 |
| Total | <u>125.00 %</u> | |

Note: Assumptions are geometric

* levered 2.5x

** Geometric mean, net of expected inflation

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

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – OP&F (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 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 | \$ 71,385,395 | \$ 54,112,929 | \$ 39,754,328 |

NOTE 16: DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Net OPEB Liability (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Effective January 1, 2022 the Combined Plan is no longer available for member selection.

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

Currently, Medicare-eligible retirees can select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses, and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA.

For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

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

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

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

The base HRA allowance is determined by OPERS. Retirees receive a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance.

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:

1. Medicare Retirees – Medicare-eligible with a minimum of 20 years of qualifying service credit.
2. Non-Medicare Retirees – Non-Medicare retirees qualify based on the following age-and-service criteria:
 - a. Group A – 30 years of qualifying service credit at any age;
 - b. Group B – 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;
 - c. Group C – 32 years of qualifying service credit and minimum age 55; or,
 - d. 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 do not 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, as summarized in the following table:

| Retirement Date | Group A | | Group B | | Group C | |
|---|---------|---------|----------|----------|---------|---------|
| | Age | Service | Age | Service | Age | Service |
| December 1, 2014 or Prior | Any | 10 | Any | 10 | Any | 10 |
| January 1, 2015 through December 31, 2021 | 60 | 20 | 52 60 | 31 20 | 55 | 32 |
| | Any | 30 | Any | 32 | 60 | 20 |

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

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

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

**CITY OF LORAIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate employer contributions to health care for members in the Traditional Pension Plan. Effective July 1, 2022, OPERS began allocating 2.0 percent of the employer contribution rate to health care funding 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 2023 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$26,888 for 2023.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses. A summary of the full benefit provisions can be found in OP&F's annual comprehensive financial report.

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was \$73,729 for 2023.

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/asset was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. On the following page is information related to the proportionate share and OPEB expense:

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(CONTINUED)

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

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

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|------------------|-------------------|----------------|
| Proportion of the Net OPEB Liability/Asset | | | |
| Prior Measurement Date | 0.116390% | 0.5273774% | |
| Proportion of the Net OPEB Liability | | | |
| Current Measurement Date | 0.117960% | 0.5696679% | |
| Change in Proportionate Share | <u>0.001570%</u> | <u>0.0422905%</u> | |
| Proportionate Share of the Net OPEB | | | |
| Liability | \$ 743,760 | \$ 4,055,871 | \$ 4,799,631 |
| OPEB Expense | \$ (1,358,162) | \$ 273,635 | \$ (1,084,527) |

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&F</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Net difference between projected and actual earnings on OPEB plan investments | \$ 1,477,135 | \$ 347,872 | \$ 1,825,007 |
| Differences between expected and actual experience | - | 242,030 | 242,030 |
| Changes of assumptions | 726,447 | 2,021,224 | 2,747,671 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 71,289 | 624,210 | 695,499 |
| City contributions subsequent to the measurement date | 26,888 | 73,729 | 100,617 |
| Total Deferred Outflows of Resources | <u>\$ 2,301,759</u> | <u>\$ 3,309,065</u> | <u>\$ 5,610,824</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$ 185,524 | \$ 799,734 | \$ 985,258 |
| Changes of assumptions | 59,775 | 3,317,371 | 3,377,146 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 5,207 | 410,803 | 416,010 |
| Total Deferred Inflows of Resources | <u>\$ 250,506</u> | <u>\$ 4,527,908</u> | <u>\$ 4,778,414</u> |

\$100,617 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense on the following page:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 16: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

| Year Ending December 31: | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--------------------------|------------------------|--------------------------|----------------------|
| 2024 | \$ 311,254 | \$ (118,339) | \$192,915 |
| 2025 | 538,913 | (72,525) | 466,388 |
| 2026 | 460,620 | (103,277) | 357,343 |
| 2027 | 713,578 | (13,192) | 700,386 |
| 2028 | - | (258,567) | (258,567) |
| Thereafter | - | (726,672) | (726,672) |
| Total | <u>\$2,024,365</u> | <u>(\$1,292,572)</u> | <u>\$731,793</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 benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|---|---|
| Wage Inflation | |
| Current Measurement Date: | 2.75 percent |
| Prior Measurement Date: | 2.75 percent |
| Projected Salary Increases, including inflation | |
| Current Measurement Date: | 2.75 to 10.75 percent, including wage inflation |
| Prior Measurement Date: | 2.75 to 10.75 percent, including wage inflation |
| Single Discount Rate: | |
| Current Measurement Date: | 5.22 percent |
| Prior Measurement Date: | 6.00 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate | |
| Current Measurement Date: | 4.05 percent |
| Prior Measurement Date: | 1.84 percent |
| Health Care Cost Trend Rate | |
| Current Measurement Date: | 5.50 percent initial, 3.50 percent ultimate in 2036 |
| Prior Measurement Date: | 5.50 percent initial, 3.50 percent ultimate in 2034 |

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NOTE 16: DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% 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 Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6 percent for 2022.

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

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|------------------------------|-------------------|---|
| 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 | 100.00 % | |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

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. A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the 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) 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 | \$ 2,531,422 | \$ 743,760 | \$ (731,352) |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 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 that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

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(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

| | Current Health Care Cost Trend Rate | | |
|---|--|------------|-------------|
| | 1% Decrease | Assumption | 1% Increase |
| City's proportionate share of the net OPEB liability | \$ 697,144 | \$ 743,760 | \$ 796,230 |

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

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

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

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

| | |
|----------------------------|---|
| Valuation Date | January 1, 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 | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Single discount rate: | |
| Current measurement date | 4.27 percent |
| Prior measurement date | 2.84 percent |
| Cost of Living Adjustments | 2.2 percent simple |

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NOTE 16: DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (Continued)

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% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022, are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|---------------------|--|
| Cash and Cash Equivalents | 0.00 % | 0.00 % |
| Domestic Equity | 18.60 | 4.80 |
| Non-US Equity | 12.40 | 5.50 |
| Core Fixed Income * | 25.00 | 2.50 |
| U.S. Inflation Linked Bonds * | 15.00 | 2.00 |
| High Yield Fixed Income | 7.00 | 4.40 |
| Private Real Estate | 12.00 | 5.30 |
| Private Markets | 10.00 | 7.90 |
| Midstream Energy Infrastructure | 5.00 | 5.90 |
| Private Credit | 5.00 | 5.90 |
| Real Assets | 8.00 | 5.90 |
| Gold | 5.00 | 3.60 |
| Commodities | 2.00 | 3.60 |
| Total | <u>125.00 %</u> | |

Note: Assumptions are geometric

* levered 2.5x

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(CONTINUED)

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

Actuarial Assumptions – OP&F (Continued)

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.27 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 7.50 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, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, resulting in a discount rate of 4.27 percent.

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 | \$ 4,994,423 | \$ 4,055,871 | \$ 3,263,490 |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 17: SIGNIFICANT COMMITMENTS

Contractual Commitments

As of December 31, 2023, the City had the following contract balances for various construction projects:

| | |
|---|--------------|
| Black River WWTP Digester Improvement | \$7,592,705 |
| Black River Dredge Reuse Facility Project | 6,888,165 |
| Phase 2 Lead Service Line Replacement | 5,000,000 |
| New Water Purification Plant- Engineering | 3,066,629 |
| Pearl Pump Station | 1,750,000 |
| Sewer Relining Project Year 5 | 1,440,497 |
| Three Insection Improvement | 1,423,838 |
| Lorain Pellet Terminal | 1,273,724 |
| Jeager Road Pump Station | 750,000 |
| Water Main Replacement Year 2 | 715,780 |
| | <hr/> |
| | \$29,901,338 |
| | <hr/> |

Remaining commitment amounts were encumbered at year end.

Encumbrances

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

At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year are shown on the following page:

Governmental Funds:

| | |
|----------------------|---------------|
| General Fund | \$ 2,618,387 |
| Streets | 3,033,326 |
| American Rescue Plan | 246,468 |
| Nonmajor Funds | 10,824,659 |
| Total Governmental | <hr/> |
| | \$ 16,722,840 |
| | <hr/> |

Proprietary Funds:

| | |
|-------------------------|--------------|
| Water Works | \$ 5,144,323 |
| Water Pollution Control | 4,293,243 |
| Total Proprietary | <hr/> |

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NOTE 18: JOINTLY GOVERNED ORGANIZATION

Elyria Township – City of Lorain Joint Economic Development District

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

The JEDD's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board which consists of five members. The City of Lorain appoints two members of the Board, the Township two members and the fifth member, serving as chairperson, is elected by the other four Board members. The agreement results in an income tax that shall be imposed based on the City's Municipal Code at a rate of 2.5% to be paid by employees of businesses located in the District and on the net profits of businesses located in the District. The City will receive 75% of the revenues generated by this agreement. The initial term of the contract expires on December 31, 2050. The contract provides for automatic renewal of the contract at expiration of 50 years and will continue to be automatically renewed for 50 year periods unless legislative authorities of both the City and Township affirmatively act to terminate the contract. The City received \$158,375 in revenues from the JEDD in 2023.

Lorain County General Health District

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

One member is appointed by the City of Lorain, one member is appointed by the City of North Ridgeville, one member is jointly appointed by the cities of Avon and Sheffield Lake and one member is appointed jointly by the cities of Amherst and Oberlin. The remaining four members are appointed by the various mayors of villages, chairmen of the township trustees and the County Commissioners. During 2023, the City contributed \$140,698 to the operation of the Health District. Financial information can be obtained by contacting the Lorain County General Health District, 9880 S. Murray Ridge Road, Elyria, Ohio, 44035 or at the website LorainCountyHealth.com.

Northeast Ohio Areawide Coordinating Agency

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 38 member board that includes the Mayor of the City of Lorain. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2023, the City contributed \$13,315 to the agency.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

NOTE 19: RELATED ORGANIZATION

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

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

NOTE 20: SHARED RISK POOL

Public Entity Risk Consortium (PERC)

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

After withdrawal, the former member continues to be fully obligated for its portion of any claim against the assets of the joint self-insurance pool that was created during the term of its membership. In addition, any distribution of surplus PERC funds allocable to the withdrawing member are forfeited by the withdrawing member and is distributed to the then remaining members in proportion to their interest in the surplus funds or other equitable manner as determined by the Board of Directors. In 2023, the City made payments in the amount of \$647,638 to PERC. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., MK Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, OH 44113.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 21: INTERFUND TRANSFERS AND BALANCES

Interfund Transfers

Transfers are primarily from the general fund to various funds within the City. The general fund transferred funds to help finance the various programs accounted for in other funds. Transfers were made from the streets, municipal court, police levy, general sewer, water, water pollution control, garage, and hospitalization funds to the general fund for the purpose of continued funding of the compensated absences and payroll reserve funds. Transfers are also made to cover the various debt obligations of the City from the general fund, the streets, permissive license, police pension, and fire pension special revenue funds to the general obligation bond retirement fund. Transfers made during the year ended December 31, 2023 were as follows:

| Transfer To | Transfer From | | | | | | |
|----------------------------------|---------------------------|---------------------|---|-------------------------|--|---------------------------------------|---------------------|
| | Governmental Funds | | | Enterprise Funds | | | |
| | General | Streets | Other Governmental Funds | Water Works | Water Pollution Control | Internal Service Funds | Totals |
| <u>Governmental Funds</u> | | | | | | | |
| General | \$ - | \$ 23,392 | \$ 20,558 | \$ 49,022 | \$ 59,556 | \$ 5,129 | \$ 157,657 |
| Streets | 53,372 | - | - | - | - | - | 53,372 |
| Other Governmental Funds | 1,035,373 | 2,130,297 | 756,004 | - | - | - | 3,921,674 |
| <i>Total Governmental Funds</i> | <i>1,088,745</i> | <i>2,153,689</i> | <i>776,562</i> | <i>49,022</i> | <i>59,556</i> | <i>5,129</i> | <i>4,132,703</i> |
| <u>Enterprise Funds</u> | | | | | | | |
| Water Works | 3,372 | - | - | - | - | - | 3,372 |
| Water Pollution Control | 3,372 | - | - | - | - | - | 3,372 |
| <i>Total Enterprise Funds</i> | <i>6,744</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>6,744</i> |
| <i>Total</i> | <i>\$ 1,095,489</i> | <i>\$ 2,153,689</i> | <i>\$ 776,562</i> | <i>\$ 49,022</i> | <i>\$ 59,556</i> | <i>\$ 5,129</i> | <i>\$ 4,139,447</i> |

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

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

Interfund Balances

The interfund balances as of December 31, 2023 represent, unallocated municipal court fines, utility and petroleum costs. Interfund balances for the year ended December 31, 2023 consisted of the following:

| Interfund Payable | Interfund Receivable | | | | | |
|----------------------------------|-----------------------------|--------------------------|-------------------------|-------------------|------------------------|--------|
| | Governmental Funds | | Enterprise Fund | | Internal Service Funds | |
| | General | Other Governmental Funds | Water Pollution Control | | | Totals |
| <u>Governmental Funds</u> | | | | | | |
| General | \$ - | \$ 80,585 | \$ 4,015 | \$ 49,903 | \$ 134,503 | |
| Streets | - | - | - | 52,395 | 52,395 | |
| Other Governmental Funds | 225,462 | - | - | 8,018 | 233,480 | |
| <i>Total Governmental Funds</i> | <i>225,462</i> | <i>80,585</i> | <i>4,015</i> | <i>110,316</i> | <i>420,378</i> | |
| <u>Enterprise Funds</u> | | | | | | |
| Water Works | - | - | - | 6,735 | 6,735 | |
| Water Pollution Control | - | - | - | 20,443 | 20,443 | |
| <i>Total Enterprise Funds</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>27,178</i> | <i>27,178</i> | |
| <i>Total</i> | <i>\$ 225,462</i> | <i>\$ 80,585</i> | <i>\$ 4,015</i> | <i>\$ 137,494</i> | <i>\$ 447,556</i> | |

NOTE 22: **CONTINGENCIES**

Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. In 2015, the Federal Bureau of Investigation began reviewing the Community Development Block Grant program expenses for compliance with terms and conditions specified in the grant award. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the City at December 31, 2023.

Litigation

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 23: TAX ABATEMENTS

As of December 31, 2023, the City of Lorain provided tax incentives under two programs: The Community Reinvestment Area (CRA) and the Job Creation Incentive Program.

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

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

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

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

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

The City of Lorain authorizes incentives through passage of public ordinances. The City is permitted to enter into a Community Reinvestment Area Tax Abatement Agreement with individual developers and set forth terms and conditions for each specific agreement to promote commercial development. The total amount of taxes abated for the year ended December 31, 2023 was \$752,731.

Income tax abatement programs: Pursuant to Ohio Revised Code Chapter 718 and City Ordinance, the City provides an incentive to eligible companies based upon their gross annual payroll, the amount of income tax generated annually and the number of jobs created and/or maintained by the business. The abatement is administered as a refund based on the prior year's withholding taxes. Also, the time period of the incentive in years, is negotiated on an individual basis with the City Administration and each company. The City of Lorain has only one active Job Creation Incentive agreement. For the calendar year ended December 31, 2023. No income taxes were abated due to the absences of required documentation.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

NOTE 24: ASSET RETIREMENT OBLIGATIONS

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

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

NOTE 25: SUBSEQUENT EVENTS

On March 19, 2024 voters of the City approved the continuation of an existing one-quarter of one percent (.25%) income tax levy for the purpose of generating operating funds for the General Fund. The levy passed with 55 percent voting for the renewal. The levy is in effect from January 1, 2025 through December 31, 2029. The levy generates approximately \$3.1 million annually for the General Fund.

On June 7, 2024 the City entered into a loan agreement with the Ohio Department of Transportation State Infrastructure Bank for the 2024 (14) Local Roadway Rehabilitation Round 37 project in the amount of \$1,214,173. The loan is payable over a term of ten years with the initial payment due thirty-six months after closing. Payments are to be made semi-annually and are estimated to begin on June 7, 2027 at an interest rate of 3.00 percent with an estimated maturity date of December 7, 2034. The City's gas tax revenue is pledged for the repayment of the principal and interest on the loan.

On June 27, 2024 the City entered into a loan agreement with the Ohio Water Development Authority for improvements to the Philip Q. Maiorana Wastewater Treatment Plant in the amount of \$9,627,776. The loan is payable over a term of twenty years at an interest rate of 2.64%. Payments are to be made semi-annually and are due to begin on July 1, 2026 with a maturity date of January 1, 2046. The City's revenue from the Water Pollution Control Fund is pledged for the repayment of the principal and interest on the loan.

On July 10, 2024 the City issued a bond anticipation note (BAN) in the amount of \$1,832,000. The purpose of the BAN is to finance a portion of the matching funds required from the City for the Ohio Department of Transportation State Route 611 project. The BAN was issued at an interest rate of 5.125% and will mature on July 10, 2025.

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

| Traditional Plan | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's Proportion of the Net Pension Liability | 0.121031% | 0.118879% | 0.106188% | 0.111959% | 0.109251% | 0.106705% | 0.111445% | 0.122285% | 0.116174% | 0.116174% |
| City's Proportionate Share of the Net Pension Liability | \$35,752,610 | \$10,342,954 | \$15,724,131 | \$22,129,456 | \$29,921,634 | \$16,739,946 | \$25,307,264 | \$21,181,303 | \$14,011,822 | \$13,695,342 |
| City's Covered Payroll | \$18,753,921 | \$17,247,650 | \$14,959,114 | \$15,754,243 | \$14,766,571 | \$14,092,454 | \$14,020,158 | \$15,027,383 | \$14,248,142 | \$13,936,769 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 190.64% | 59.97% | 105.11% | 140.47% | 202.63% | 118.79% | 180.51% | 140.95% | 98.34% | 98.27% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.74% | 92.62% | 86.88% | 82.17% | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

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

See accompanying notes to the required supplementary information

CITY OF LORAIN
LORAIN COUNTY, OHIO
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Ten Years

| Police | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's Proportion of the Net Pension Liability | 0.3118041% | 0.2946588% | 0.2946750% | 0.2693811% | 0.2733390% | 0.2760370% | 0.2816881% | 0.2975640% | 0.2917183% | 0.2917183% |
| City's Proportionate Share of the Net Pension Liability | \$29,618,368 | \$18,408,575 | \$20,088,259 | \$18,146,952 | \$22,311,685 | \$16,941,636 | \$17,841,839 | \$19,142,501 | \$15,484,739 | \$14,207,596 |
| City's Covered Payroll | \$ 9,421,426 | \$ 8,224,147 | \$ 8,063,158 | \$ 7,107,537 | \$ 6,937,437 | \$ 6,715,974 | \$ 6,809,505 | \$ 6,687,100 | \$ 6,425,379 | \$ 5,259,549 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 314.37% | 223.84% | 249.14% | 255.32% | 321.61% | 252.26% | 262.01% | 286.26% | 240.99% | 270.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 62.90% | 75.03% | 70.65% | 69.89% | 63.07% | 70.91% | 68.36% | 66.77% | 71.71% | 73.00% |
| Fire | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| City's Proportion of the Net Pension Liability | 0.2578638% | 0.2327187% | 0.2498591% | 0.2173051% | 0.2363220% | 0.2375908% | 0.2471344% | 0.2708310% | 0.2861849% | 0.2861849% |
| City's Proportionate Share of the Net Pension Liability | \$24,494,561 | \$14,538,916 | \$17,033,116 | \$14,638,833 | \$19,290,120 | \$14,582,019 | \$15,653,242 | \$17,422,748 | \$15,191,020 | \$13,938,103 |
| City's Covered Payroll | \$ 6,329,932 | \$ 5,356,502 | \$ 5,554,732 | \$ 4,667,132 | \$ 4,846,438 | \$ 4,695,264 | \$ 5,041,979 | \$ 5,111,362 | \$ 5,096,447 | \$ 4,319,624 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 386.96% | 271.43% | 306.64% | 313.66% | 398.03% | 310.57% | 310.46% | 340.86% | 298.07% | 322.67% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 62.90% | 75.03% | 70.65% | 69.89% | 63.07% | 70.91% | 68.36% | 66.77% | 71.71% | 73.00% |

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

See accompanying notes to the required supplementary information

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions | \$ 2,571,147 | \$ 2,625,549 | \$ 2,414,671 | \$ 2,094,276 | \$ 2,205,594 | \$ 2,067,320 | \$ 1,832,019 | \$ 1,682,419 | \$ 1,803,286 | \$ 1,709,777 |
| Contributions in Relation to the Contractually Required Contribution | <u>(2,571,147)</u> | <u>(2,625,549)</u> | <u>(2,414,671)</u> | <u>(2,094,276)</u> | <u>(2,205,594)</u> | <u>(2,067,320)</u> | <u>(1,832,019)</u> | <u>(1,682,419)</u> | <u>(1,803,286)</u> | <u>(1,709,777)</u> |
| Contribution Deficiency / (Excess) | <u>\$ -</u> |
| City's Covered Payroll | \$18,365,336 | \$18,753,921 | \$17,247,650 | \$14,959,114 | \$15,754,243 | \$14,766,571 | \$14,092,454 | \$14,020,158 | \$15,027,383 | \$14,248,142 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 12.00% | 12.00% | 12.00% |

See accompanying notes to the required supplementary information

CITY OF LORAIN
LORAIN COUNTY, OHIO

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contributions | \$ 1,677,696 | \$ 1,790,071 | \$ 1,562,588 | \$ 1,532,000 | \$ 2,447,208 | \$ 2,457,026 | \$ 2,379,422 | \$ 2,478,671 | \$ 2,471,719 | \$ 2,418,487 |
| Contributions in Relation to the Contractually Required Contribution | (1,677,696) | (1,790,071) | (1,562,588) | (1,532,000) | (2,447,208) | (2,457,026) | (2,379,422) | (2,478,671) | (2,471,719) | (2,418,487) |
| Contribution Deficiency / (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's Covered Payroll | \$14,745,741 | \$15,751,358 | \$13,580,649 | \$13,617,890 | \$11,774,669 | \$11,783,875 | \$11,411,238 | \$11,851,484 | \$11,798,462 | \$11,521,826 |
| Contributions as a Percentage of Covered-Employee Payroll | 11.38% | 11.36% | 11.51% | 11.25% | 20.78% | 20.85% | 20.85% | 20.91% | 20.95% | 20.99% |

See accompanying notes to the required supplementary information

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------------|----------------|----------------|---------------|---------------|---------------|---------------|
| City's Proportion of the Net OPEB Liability/Asset | 0.117960% | 0.116390% | 0.104205% | 0.109813% | 0.106844% | 0.104360% | 0.109680% |
| City's Proportionate Share of the Net OPEB Liability/(Asset) | \$ 743,758 | \$ (3,645,513) | \$ (1,856,495) | \$ 15,168,028 | \$ 13,929,935 | \$ 11,332,727 | \$ 11,078,053 |
| City's Covered Payroll | \$ 19,625,671 | \$ 18,144,493 | \$ 15,762,536 | \$ 16,423,964 | \$ 15,497,350 | \$ 14,782,311 | \$ 14,771,293 |
| City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll | 3.79% | -20.09% | -11.78% | 92.35% | 89.89% | 76.66% | 75.00% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset | 94.79% | 128.23% | 115.57% | 47.80% | 46.33% | 54.14% | 54.04% |

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

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

See accompanying notes to the required supplementary information

**CITY OF LORAIN
LORAIN COUNTY, OHIO**

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City's Proportion of the Net OPEB Liability | 0.5696679% | 0.5273774% | 0.5445340% | 0.4866862% | 0.5096613% | 0.5136278% | 0.5288200% |
| City's Proportionate Share of the Net OPEB Liability | \$ 4,055,871 | \$ 5,780,510 | \$ 5,769,427 | \$ 4,807,355 | \$ 4,641,248 | \$ 29,101,430 | \$ 25,101,896 |
| City's Covered Payroll | \$ 15,751,358 | \$ 13,580,649 | \$ 13,617,890 | \$ 11,774,669 | \$ 11,783,875 | \$ 11,411,238 | \$ 11,851,484 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 25.75% | 42.56% | 42.37% | 40.83% | 39.39% | 255.02% | 211.80% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 52.59% | 46.86% | 45.42% | 47.08% | 46.57% | 14.13% | 15.96% |

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

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

See accompanying notes to the required supplementary information

CITY OF LORAIN
LORAIN COUNTY, OHIO

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 26,888 | \$ 25,829 | \$ 24,817 | \$ 22,453 | \$ 23,244 | \$ 20,298 | \$ 160,732 | \$ 303,269 | \$ 311,969 |
| Contributions in Relation to the Contractually Required Contribution | (26,888) | (25,829) | (24,817) | (22,453) | (23,244) | (20,298) | (160,732) | (303,269) | (311,969) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City Covered Payroll | \$ 19,143,079 | \$ 19,625,671 | \$ 18,144,493 | \$ 15,762,536 | \$ 16,423,964 | \$ 15,497,350 | \$ 14,782,311 | \$ 14,771,293 | \$ 16,016,935 |
| Contributions as a Percentage of Covered Payroll | 0.14% | 0.13% | 0.14% | 0.14% | 0.14% | 0.13% | 1.09% | 2.05% | 1.95% |

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

See accompanying notes to the required supplementary information

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually Required Contribution | \$ 73,729 | \$ 78,757 | \$ 67,904 | \$ 68,090 | \$ 58,874 | \$ 58,919 | \$ 57,056 | \$ 57,892 | \$ 58,634 | \$ 62,503 |
| Contributions in Relation to the Contractually Required Contribution | <u>(73,729)</u> | <u>(78,757)</u> | <u>(67,904)</u> | <u>(68,090)</u> | <u>(58,874)</u> | <u>(58,919)</u> | <u>(57,056)</u> | <u>(57,892)</u> | <u>(58,634)</u> | <u>(62,503)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| City Covered Payroll | \$ 14,745,741 | \$ 15,751,358 | \$ 13,580,649 | \$ 13,617,890 | \$ 11,774,669 | \$ 11,783,875 | \$ 11,411,238 | \$ 11,851,484 | \$ 11,798,462 | \$ 11,521,826 |
| Contributions as a Percentage of Covered Payroll | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% |

See accompanying notes to the required supplementary information

**CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2023.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2023.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2023.

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034. For 2023, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22% (b) the municipal bond rate changed from 1.84% to 4.05% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2034 to 5.50% initial and 3.50% ultimate in 2036.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2023.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2021, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date. For 2022, the investment rate of return was reduced from 8.00 percent to 7.50 percent. For 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% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates 68 adjusted by 108.9% for males and 131% for females. Mortality for active members is based on the Pub-2010 Below Medium Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018 and 2020-2023. For 2019, see below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56. For 2021, the single discount rate changed from 3.56 to 2.96. For 2022, the single discount rate changed from 2.96 to 2.84. For 2023, the changes of assumptions were: (a) the single discount rate changed from 2.84% to 4.27% (b) the depletion year of OPEB assets is projected in year 2036 (c) 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% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. 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% for males and 131% for females. 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.

CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| Federal Grantor/ Pass-Through Grantor/ Program Title | Assistance Listing Number | Pass-Through Entity Number | Total Federal Expenditures |
|---|--|---------------------------------------|---|
| <u>U.S. Department of Commerce</u> | | | |
| <i>Direct Programs</i> | | | |
| Economic Development Cluster: | | | |
| Economic Adjustment Assistance | 11.307 | N/A | \$ 1,463,160 |
| Total Economic Development Cluster | | | <u>1,463,160</u> |
| Total U.S. Department of Commerce | | | <u>1,463,160</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <i>Direct Programs</i> | | | |
| CDBG-Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-19-MC-39-0016 | 115,250 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-20-MC-39-0016 | 502,328 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-21-MC-39-0016 | 746,067 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-22-MC-39-0016 | 170,158 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-23-MC-39-0016 | 474,249 |
| Community Development Block Grants/Entitlement Grants - COVID-19 | 14.218 | B-20-MW-39-0016 | 342,217 |
| Total CDBG-Entitlement Grants Cluster | | | <u>2,350,269</u> |
| HOME Investment Partnership Program - ARP | 14.239 | M-21-MP-390220 | 31,066 |
| Total U.S. Department of Housing and Urban Development | | | <u>2,381,335</u> |
| <u>U.S. Department of the Interior</u> | | | |
| <i>Passed through Ohio Department of Natural Resources</i> | | | |
| Outdoor Recreation Acquisition, Development, and Planning | 15.916 | P23AP00260-00 | 1,532,514 |
| Total U.S. Department of the Interior | | | <u>1,532,514</u> |
| <u>U.S. Department of Justice</u> | | | |
| <i>Direct Programs</i> | | | |
| Public Safety Partnership and Community Policing Grant | 16.710 | 2020-UMWX0321 | 189,352 |
| Public Safety Partnership and Community Policing Grant | 16.710 | 15JCOPS-22-GG-01537-TELP | 371,300 |
| Total ALN #16.710 | | | <u>560,652</u> |
| Congressionally Recommended Awards | 16.753 | 15PBJA-22-GG-00191-BRND | 191,122 |
| Total Direct Programs | | | <u>751,774</u> |
| <i>Passed Through Lorain County</i> | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2022-XXXX-OH-DJ | 12,877 |
| Total Passed Through Lorain County | | | <u>12,877</u> |
| <i>Passed Through Office of Ohio Attorney General</i> | | | |
| Crime Victim Assistance | 16.575 | 2023-VOCA-135106218 | 27,000 |
| Crime Victim Assistance | 16.575 | 2024-VOCA-135501322 | 5,296 |
| Total ALN #16.575 | | | <u>32,296</u> |
| Total Passed Through Office of Ohio Attorney General | | | <u>32,296</u> |
| <i>Passed Through Ohio Department of Public Safety</i> | | | |
| Project Safe Neighborhoods | 16.609 | 2021-PS-PSN-437 | 11,295 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2020-JG-A02-6203 | 11,027 |
| Total Passed Through Ohio Department of Public Safety | | | <u>22,322</u> |
| Total Passed Through Programs | | | <u>67,495</u> |
| Total U.S. Department of Justice | | | <u>819,269</u> |
| <u>U.S. Department of Treasury</u> | | | |
| <i>Direct Program</i> | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Lorain | 9,460,955 |
| Total Direct Program | | | <u>9,460,955</u> |
| <i>Passed through Ohio Environmental Protection Agency</i> | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 715615EPA-LOR/LOR-BLKRVSLFRF | 6,587,466 |
| Total Passed Through Ohio Environmental Protection Agency | | | <u>6,587,466</u> |
| Total ALN #21.027 | | | <u>16,048,421</u> |
| Total U.S. Department of Treasury | | | <u>16,048,421</u> |

(Continued)

CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

| Federal Grantor/ Pass-Through Grantor/ Program Title | Assistance Listing Number | Pass-Through Entity Number | Total Federal Expenditures |
|--|--|---------------------------------------|---|
| <u>U.S. Environmental Protection Agency</u> | | | |
| <i>Direct Program</i> | | | |
| Geographic Programs - Great Lakes Restoration Initiative | 66.469 | GL-00E03177 | 834,435 |
| Total U.S. Environmental Protection Agency | | | 834,435 |
| <u>U.S. Department of Transportation</u> | | | |
| <i>Passed Through Ohio Department of Transportation</i> | | | |
| Highway Planning and Construction Cluster: | | | |
| Highway Planning and Construction | 20.205 | PID No. 109412 | 216,709 |
| Highway Planning and Construction | 20.205 | PID No. 111564 | 30,199 |
| Highway Planning and Construction | 20.205 | PID No. 113537 | 282,350 |
| Highway Planning and Construction | 20.205 | PID No. 114823 | 46,452 |
| Highway Planning and Construction | 20.205 | PID No. 119515 | 7,362 |
| Total Highway Planning and Construction Cluster | | | 583,072 |
| <i>Total Passed Through Ohio Department of Transportation</i> | | | 583,072 |
| <i>Passed Through Ohio Department of Public Safety</i> | | | |
| Highway Safety Cluster: | | | |
| State and Community Highway Safety | 20.600 | STEP-2024 | 1,546 |
| State and Community Highway Safety | 20.600 | STEP-2023 | 13,464 |
| State and Community Highway Safety | 20.600 | LEL/TSRP-2024 | 13,200 |
| State and Community Highway Safety | 20.600 | LEL-TSRP-2023 | 84,612 |
| State and Community Highway Safety | 20.600 | DTEP-2024 | 14,318 |
| State and Community Highway Safety | 20.600 | DTEP-2023 | 31,033 |
| Total Highway Safety Cluster | | | 158,173 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | IDEP-2024 | 3,306 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | IDEP-2023 | 12,240 |
| <i>Total ALN #20.608</i> | | | 15,546 |
| <i>Total Passed Through Ohio Department of Public Safety</i> | | | 173,719 |
| Total U.S. Department of Transportation | | | 756,791 |
| <u>U.S. Small Business Administration</u> | | | |
| <i>Direct Program</i> | | | |
| Congressional Grants | 59.059 | SBAHQ22I0109 | 73,093 |
| Total U.S. Small Business Administration | | | 73,093 |
| <u>U.S. Department of Homeland Security</u> | | | |
| <i>Passed Through Ohio Department of Natural Resources</i> | | | |
| Boating Safety Financial Assistance | 97.012 | 2023 Marine Patrol | 33,841 |
| Total U.S. Department of Homeland Security | | | 33,841 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 23,942,859 |

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

CITY OF LORAIN
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the properties.

Activity in the CDBG and EDA Revolving Loan Fund during 2023 is as follows:

| | |
|--|----------------------------|
| Beginning loans receivable balance as of January 1, 2023 | \$ 995,703 |
| Loans made | 205,606 |
| Loan principal repaid | (17,757) |
| Loan forgiveness | (175,275) |
| Ending loans receivable balance at December 31, 2023 | <u><u>\$ 1,008,277</u></u> |
| | |
| Cash balances on hand in the revolving loan fund as of December 31, 2023 | \$ 854,795 |
| Administrative costs expended during 2023 | 0 |

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2023, the City estimates \$47,903 to be uncollectible.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

City of Lorain
Lorain County
200 West Erie Avenue
Lorain, Ohio 44052

To the Members of 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Lorain County, Ohio, (the City) as of and for the year ended December 31, 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 October 31, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

City of Lorain
Lorain County
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards
Page 2

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

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



Zupka & Associates
Certified Public Accountants

October 31, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Lorain
Lorain County
200 West Erie Avenue
Lorain, Ohio 44052

To the Members of City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lorain, Lorain County, Ohio's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

We conducted an 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 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 of Lorain, 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 each major federal program. Our audit does not provide a legal determination of the City of Lorain's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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 to the City of Lorain's federal programs.

City of Lorain
Lorain County
Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance
Page 2

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 of Lorain'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 of Lorain's compliance with the requirements of each 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 of Lorain'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 of Lorain'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 of Lorain'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

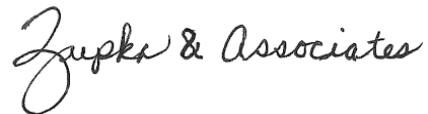
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

City of Lorain
Lorain County
Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance
Page 3

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



Zupka & Associates
Certified Public Accountants

October 31, 2024

**CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|------------|---|---|
| 2023(i) | Type of Financial Statement Opinion | Unmodified |
| 2023(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| 2023(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| 2023(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2023(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| 2023(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| 2023(v) | Type of Major Programs' Compliance Opinions | Unmodified |
| 2023(vi) | Are there any reportable findings under 2 CFR 200.516(a)? | No |
| 2023(vii) | Major Programs (list): Outdoor Recreation, Acquisition, Development, and Planning - ALN #15.916 Coronavirus State and Local Fiscal Recovery Funds - ALN #21.027 | |
| 2023(viii) | Dollar Threshold: A/B Program | Type A: \$750,000 Type B: All Others |
| 2023(ix) | Low Risk Auditee? | No |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CITY OF LORAIN
LORAIN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

The prior audit report, as of December 31, 2022, included a significant deficiency.

| Number | Finding Summary | Status | Additional Information |
|----------|-----------------|---|------------------------|
| 2022-001 | Payroll | Corrective Action Taken and Finding is Fully Corrected | None |

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

**CITY OF LORAIN
LORAIN COUNTY, OHIO**

MANAGEMENT LETTER

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

Zupka & Associates
Certified Public Accountants

To the Members of City Council
City of Lorain, Ohio

MANAGEMENT LETTER

In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the basic financial statements of the City of Lorain, Ohio (the City) as of and for the period ended December 31, 2023, and have issued our report dated October 31, 2024.

Government Auditing Standards also require that we describe the scope of our testing of compliance with laws and regulations and internal control over financial reporting and report any irregularities, illegal acts, other material noncompliance, and significant deficiencies in the internal controls. We have issued a report dated October 31, 2024, on compliance and internal control over financial reporting required by *Government Auditing Standards* as of and for the year ended December 31, 2023.

The Uniform Guidance requires that we report all material (and certain immaterial) instances of noncompliance and deficiencies in internal control over compliance related to major federal financial assistance programs. We have issued the required report dated October 31, 2024, for the year ended December 31, 2023.

We are submitting for your consideration the following comments of the City's compliance with applicable laws and regulations and on its internal controls. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or significant deficiencies in internal control conditions, we believe represent matters for which improvements in compliance or internal control or operational efficiency might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. If you have any questions or concerns regarding these comments, please do not hesitate to contact us.

Comments that are repeated during the current audit that relate to prior year deficiencies which remain uncorrected by the City are indicated with an asterisk *.

1. **Petty Cash** *

During our petty cash count, we noted that the City does not have a formal Petty Cash Policy that reflects the amounts in the change drawers and petty cash in each location and the purpose of the petty cash.

Recommendation

We recommend that the City adopt a policy that describes the purpose of petty cash and which includes the actual count of petty cash and change drawers in each location.

2. **IT - Disaster Recovery Plan - Update (City-Wide and Municipal Court)** *

Effective data processing contingency planning requires management to identify arrangements for the continuation of data processing on compatible hardware and software in the event of an emergency. Contingency planning includes the evaluation and implementation of a written plan defining the actions to be taken in the event of various disaster situations. The plan should remove as much time-consuming decision making as possible from the period immediately following the disaster.

The City and Municipal Court have an established Disaster Recovery Plan, which includes key contacts and a list of current applications and contacts for the City. The Court is currently utilizing the City list of key contacts and current applications. The City owns multiple buildings, which are networked and may be used as a disaster recovery site in the event of an emergency. However, an inventory of sites prioritized by compatibility for restoring operations is not included in the Plan and reciprocal agreements have not been established.

Without prioritizing possible recovery sites and testing the Disaster Recovery Plan, there is a risk that critical operations may not be restored in a timely manner and may result in an interruption of business operations.

Recommendation

We recommend the City update disaster recovery procedures to include a prioritized list of relocation sites and/or reciprocal agreements. If sites in the City and the Municipal Court are identified, they should be a sufficient distance from City Hall to provide some assurance they will not be affected by the same disaster. We also recommend that the Courts compile a separate list of current applications and contacts. The Council approved Plan should be distributed to the appropriate personnel and be maintained at an off-site location. The Plan should be reviewed, updated, and tested on a regular basis.

3. **Capital Assets** *

During our review of the City's capital assets, we noted the City is not performing periodic review of its assets of the departments.

Recommendation

We recommend the City perform a periodic review of its assets to verify that assets are located in the proper department per the capital asset listing and confirm the recorded information is accurate.

4. Negative Cash Balances

Ohio Revised Code Section 5705.10 requires monies paid into any fund be used only for the purposes for which such fund is established. Negative cash fund balances are an indication that revenues from other sources are being used to pay obligations of these funds. The City had negative cash fund balances in the following funds at December 31, 2023. We noted the City's General Fund had sufficient allowable resources to cover the deficits, but transfers and advances were not used to avoid a deficit.

Special Revenue Funds

| | |
|--|-----------|
| Community Development Block Grant - CV Grant | \$ 65,429 |
| EDI Special Grant | 458,706 |
| HOME ARP Grant | 25,442 |

Capital Projects Fund

| | |
|---|------------|
| Black River Dredge Reuse Facility Grant | \$ 224,266 |
|---|------------|

Recommendation

We recommend that the City monitor its fund activity to ensure expenditures are not in excess of available resources. In those cases where additional funds are required, we recommend that resources are transferred or advanced to the fund in accordance with Ohio Revised Code Section 5705.10.

Should you have any questions regarding the above matters, or should you desire our assistance in their implementation, we would be pleased to discuss these with you at your convenience.

We take this opportunity to express our appreciation for the cooperation and assistance of the management and staff of the City of Lorain to our representatives during the course of our review.

These comments are intended for the information and use of management and members of City Council and are not intended to be and should not be used by anyone other than these specified parties.



Zupka & Associates
Certified Public Accountants

October 31, 2024