

CITY OF WILLOUGHBY HILLS  
LAKE COUNTY, OHIO

*REGULAR AUDIT*

FOR THE YEAR ENDED  
DECEMBER 31, 2023





# OHIO AUDITOR OF STATE KEITH FABER


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City Council  
City of Willoughby Hills  
35405 Chardon Road  
Willoughby Hills, Ohio 44094

We have reviewed the *Independent Auditor's Report* of the City of Willoughby Hills, Lake County, prepared by Rea & Associates, Inc., for the audit period January 1, 2023 through December 31, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER  
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

September 29, 2025

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**City of Willoughby Hills**

**Lake County, Ohio**

*December 31, 2023*

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**City of Willoughby Hills**  
**Lake County, Ohio**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Willoughby Hills  
Lake County, Ohio  
35405 Chardon Road  
Willoughby Hills, Ohio 44094

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the safety forces 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Pension and other Post-Employment Benefit Schedules* 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025 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.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Medina, Ohio  
June 27, 2025

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

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The discussion and analysis of the City of Willoughby Hills' (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 are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- The City's overall financial position increased in 2023. Net position for governmental activities increased mainly as a result of an increase in cash and cash equivalents due to careful management of resources. The increase in net position for governmental activities was partially offset by an increase in the net pension liability. Net position for business-type activity decreased due mainly to decreases in cash and cash equivalents and net capital assets. The decrease in capital assets for business-type activity was due to annual depreciation exceeding current year additions.
- In 2023, capital asset additions consisted of construction in progress, building improvements, various equipment and road and sewer improvements.
- The City's long-term debt obligations consist of general obligation bonds, OPWC loans, OWDA loans and leases payable.

***Using This Annual Financial Report***

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those 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 also look at the City's most significant funds with all other non-major funds presented in total in one column.

***The City of Willoughby Hills as a Whole***

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property (police and fire), leisure time activities, community environment and transportation. The only business-type activity is the sewer operation.

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

**Fund Financial Statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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.

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

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

**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
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The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, safety forces fund and the general obligation bond retirement fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

**Proprietary Funds** The City's only proprietary fund is the sewer system. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

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

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

***The City as a Whole***

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

\*Note, amounts presented in Table 1 are after deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated.

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

<b>Table 1</b>						
<i>Net Position</i>						
	Governmental Activities		Business-Type Activity		Total*	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and Other Assets	\$22,007,813	\$21,253,373	\$1,855,567	\$2,152,424	\$23,863,380	\$23,405,797
Noncurrent Assets:						
Net Pension Asset	7,360	12,241	470	781	7,830	13,022
Net OPEB Asset	0	265,043	0	16,914	0	281,957
Capital Assets, Net	19,188,268	19,373,788	16,450,924	16,850,257	35,639,192	36,224,045
<i>Total Assets</i>	<u>41,203,441</u>	<u>40,904,445</u>	<u>18,306,961</u>	<u>19,020,376</u>	<u>59,510,402</u>	<u>59,924,821</u>
<b>Deferred Outflows of Resources</b>						
Pension	4,954,733	3,122,479	69,738	20,866	5,024,436	3,143,302
OPEB	798,514	786,217	10,117	66	808,631	786,283
Asset Retirement Obligation	0	0	17,600	18,000	17,600	18,000
<i>Total Deferred Outflows of Resources</i>	<u>5,753,247</u>	<u>3,908,696</u>	<u>97,455</u>	<u>38,932</u>	<u>5,850,667</u>	<u>3,947,585</u>
<b>Liabilities</b>						
Current Liabilities	1,660,959	1,809,877	332,044	536,395	1,993,003	2,346,272
Long-Term Liabilities						
Due Within One Year	962,281	867,906	361,144	351,283	1,323,425	1,219,189
Due in More Than One Year						
Net Pension Liability	13,756,191	8,437,159	166,143	48,003	13,922,334	8,485,162
Net OPEB Liability	889,233	1,348,315	3,402	0	892,635	1,348,315
Other Amounts	4,299,773	5,161,026	568,007	929,151	4,867,780	6,090,177
<i>Total Liabilities</i>	<u>21,568,437</u>	<u>17,624,283</u>	<u>1,430,740</u>	<u>1,864,832</u>	<u>22,999,177</u>	<u>19,489,115</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,839,537	1,831,069	0	0	1,839,537	1,831,069
Leases	1,174,289	1,224,828	0	0	1,174,289	1,224,828
Pension	839,881	3,513,909	1,919	67,730	841,765	3,581,596
OPEB	931,350	801,377	1,546	20,758	932,896	822,135
<i>Total Deferred Inflows of Resources</i>	<u>4,785,057</u>	<u>7,371,183</u>	<u>3,465</u>	<u>88,488</u>	<u>4,788,487</u>	<u>7,459,628</u>
<b>Net Position</b>						
Net Investment in Capital Assets	17,785,505	17,920,591	15,541,773	15,589,823	33,327,278	33,510,414
Restricted for:						
Capital Projects	289,715	338,329	0	0	289,715	338,329
Debt Service	295,162	279,911	0	0	295,162	279,911
Other Purposes	5,536,311	4,869,113	0	0	5,536,311	4,869,113
Pension and OPEB Plans	7,360	277,284	470	17,695	7,830	294,979
Unrestricted (Deficit)	(3,310,859)	(3,867,553)	1,427,968	1,498,470	(1,882,891)	(2,369,083)
<i>Total Net Position</i>	<u>\$20,603,194</u>	<u>\$19,817,675</u>	<u>\$16,970,211</u>	<u>\$17,105,988</u>	<u>\$37,573,405</u>	<u>\$36,923,663</u>

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

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The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2023. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension 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.

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

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 (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

For the City, total net position for governmental activities increased due mainly to increases in cash and cash equivalents as a result of cash receipts outpacing cash disbursements by almost \$1.6 million from careful management of resources. Capital assets decreased due to annual depreciation and current year deletions exceeding current year additions. The increase in net position was partially offset by an increase in the net pension liability.

The decrease in total net position for business-type activities was attributed mainly to a decrease in both cash and cash equivalents and net capital assets. Cash and cash equivalents went down due to cash disbursements exceeding cash receipts by approximately \$380,000 due to higher personal service and contractual service costs. Capital assets decreased as a result of annual depreciation outpacing current year additions.

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

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

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

	Governmental Activities		Business-Type Activity		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$1,923,967	\$1,208,816	\$1,946,513	\$1,969,095	\$3,870,480	\$3,177,911
Operating Grants and Contributions	1,161,964	2,262,985	0	0	1,161,964	2,262,985
Capital Grants, Contributions and Assessments	144,419	135,467	39,463	108,615	183,882	244,082
Total Program Revenues	3,230,350	3,607,268	1,985,976	2,077,710	5,216,326	5,684,978
General Revenues						
Property Taxes	1,950,548	1,909,624	0	0	1,950,548	1,909,624
Income Taxes	7,628,082	7,936,987	0	0	7,628,082	7,936,987
Admission and Hotel Taxes	36,763	33,891	0	0	36,763	33,891
Permissive Taxes	50,869	45,600	0	0	50,869	45,600
Grants and Entitlements	708,112	779,105	0	0	708,112	779,105
Franchise Taxes	93,252	92,619	0	0	93,252	92,619
Investment Earnings/Interest	320,247	67,345	38,588	6,796	358,835	74,141
Gain on the Sale of Capital Assets	0	42,080	0	0	0	42,080
Unrestricted Contributions	13,058	3,520	0	0	13,058	3,520
Other	227,128	153,020	1,275	680	228,403	153,700
Total General Revenues	11,028,059	11,063,791	39,863	7,476	11,067,922	11,071,267
<i>Total Revenues</i>	<i>14,258,409</i>	<i>14,671,059</i>	<i>2,025,839</i>	<i>2,085,186</i>	<i>16,284,248</i>	<i>16,756,245</i>
<b>Program Expenses</b>						
General Government	2,393,011	1,138,280	0	0	2,393,011	1,138,280
Security of Persons and Property						
Police	4,518,656	3,707,920	0	0	4,518,656	3,707,920
Fire	3,575,188	3,051,543	0	0	3,575,188	3,051,543
Transportation	2,380,348	1,968,816	0	0	2,380,348	1,968,816
Community Environment	144,932	105,633	0	0	144,932	105,633
Leisure Time Activities	315,776	244,046	0	0	315,776	244,046
Interest	144,979	122,680	0	0	144,979	122,680
Sewer	0	0	2,161,616	1,901,227	2,161,616	1,901,227
Total Program Expenses	13,472,890	10,338,918	2,161,616	1,901,227	15,634,506	12,240,145
Change in Net Position	785,519	4,332,141	(135,777)	183,959	649,742	4,516,100
Net Position Beginning of Year	19,817,675	15,485,534	17,105,988	16,922,029	36,923,663	32,407,563
Net Position End of Year	\$20,603,194	\$19,817,675	\$16,970,211	\$17,105,988	\$37,573,405	\$36,923,663



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

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***Governmental Activities***

For governmental activities, there was an increase in charges for services due to an increase in fines, forfeitures and settlements related to law enforcement seizures and opioid settlement monies. The most significant change was to operating grants and contributions in which the decrease was due to the City receiving less federal funding for projects in 2023. The general revenues maintained almost consistent earning between 2023 and 2022. Several sources fund the City's governmental activities with the municipal income tax being the largest component. The City has a current municipal income tax rate of two percent. In November 2010, the voters approved a one half percent increase to the City's income tax rate. Effective January 1, 2011, the City has matched its other adjacent Lake County cities with an income tax rate of two percent. The additional one half percent increase was solely used to support the City's safety forces. The City allows a resident who works outside of the City a tax credit for income tax paid to the resident's workplace community. This credit is equal to the workplace community's tax rate up to a workplace tax rate of 1.5 percent. A resident's income tax liability is equal to 2 percent of the resident's annual earned income minus the lesser of the resident's workplace community's income tax rate or 1.5 percent. Property tax collections are one of the next largest sources of general revenue for governmental activities. The City collects 3 mills of inside millage and 4.3 mills of outside millage. The outside millage is generated from a 1.8 mill perpetual levy for fire and EMS services and a 2.5 mill road levy. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services.

Overall, the largest expenses for the City are in the police and fire departments. The City, in conjunction with the Federal Drug Enforcement Agency, vigorously enforces drug laws. They have made several large drug busts and confiscated large quantities of illegal substances. The City places confiscated funds in two special revenue funds. The use of these confiscated funds is governed by the police department control policy.

The City's fire department is staffed by approximately 30 full-time and part-time firemen. All of these personnel are cross trained as paramedics. In the late 1990's, the City began charging for ambulance rides. Proceeds of the ambulance billings are pledged by ordinance to finance the acquisition of fire department equipment and improvements to fire department's facilities.

***Business-Type Activity***

The City's business-type activity is comprised of one enterprise fund, which is the City's sanitary sewer system. The largest source of revenue for the sewer fund is charges for services. On the expense side, the largest expense was for contractual services relating to utilities. For 2023, investment earnings/interest increased while sewer expenses also increased, specifically for personal and contractual services, resulting in a decrease in net position.

***Governmental Funds***

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information begins with the balance sheet and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, safety forces special revenue fund and the general obligation bond retirement debt service fund. The general fund saw an increase in fund balance during the year primarily due to an increase in property taxes, charge for services, fees and fines, as well as an increase in general government expenditures due to higher administrations costs. Despite an increase in police service expenditures, the safety forces fund saw a slight increase in fund balance due to higher transfers in from the general fund. The general obligation bond retirement fund saw a slight decrease in fund balance resulting from an increase in general government expenditures and increased debt payments.

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

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***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City operates with a legal level of control at the object level within each department for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. The general fund's actual revenue exceeded the final budget amount due in large to greater than anticipated income tax collections as the local economy continues to have a strong rebound from the COVID Pandemic. Actual expenditures were under the final budget due mainly a concerted effort by management to hold expenditures within the budget and to save where it was possible.

***Capital Assets***

For 2023, the primary additions for governmental activities consisted of construction in progress, building improvements, various equipment, vehicles and major road and infrastructure improvements. Business-type additions included infrastructure updates. Additional information concerning the City's capital assets can be found in Note 8, to the basic financial statements.

***Long-term Obligations***

The general obligation bonds were issued for the salt storage facility expansion project and for a new fire truck. The OWDA loans outstanding are for sanitary sewer improvements. The principal and interest for the OWDA loans are retired primarily with assessments levied against property owners of the City based on the benefit to the respective parties. Assessments are collected by the Lake County Auditor and will be received through 2032. The leases payable are for copiers. Business-type debt includes OPWC loans and OWDA loans outstanding for infrastructure improvement projects, which are repaid using sewer revenues and with assessments levied against property owners of the City based on the benefit to the respective parties. Additional information concerning debt issuances can be found in Note 13 to the basic financial statements.

***Current Related Financial Activities***

The City maintains a careful watch over its financial operations. This should help the City continue to remain financially strong. In addition, the City is working on strengthening its internal control system, and improving its budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the citizens of Willoughby Hills with full disclosure of the financial position of the City.

***Contacting the City of Willoughby Hills' Financial Management***

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Willoughby Hills, 35405 Chardon Road, Willoughby Hills, Ohio 44094-9103. Phone: (440) 946-1234, Fax: (440) 975-3533 or email [finance@willoughbyhills-oh.gov](mailto:finance@willoughbyhills-oh.gov).

**City of Willoughby Hills, Ohio**  
*Statement of Net Position*  
*December 31, 2023*

	Governmental Activities	Business-Type Activity	Total *
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$12,144,605	\$1,732,723	\$13,877,328
Materials and Supplies Inventory	100,167	0	100,167
Accounts Receivable	352,845	0	352,845
Permissive Taxes Receivable	4,158	0	4,158
Intergovernmental Receivable	743,418	106,065	849,483
Prepaid Items	67,114	16,779	83,893
Municipal Income Taxes Receivable	2,381,784	0	2,381,784
Property Taxes Receivable	1,861,867	0	1,861,867
Leases Receivable	1,174,289	0	1,174,289
Special Assessments Receivable	3,177,566	0	3,177,566
Net Pension Asset (See Note 10)	7,360	470	7,830
Nondepreciable Capital Assets	1,749,833	268,613	2,018,446
Depreciable Capital Assets, Net	17,438,435	16,182,311	33,620,746
<i>Total Assets</i>	<u>41,203,441</u>	<u>18,306,961</u>	<u>59,510,402</u>
<b>Deferred Outflows of Resources</b>			
Pension	4,954,733	69,738	5,024,436
OPEB	798,514	10,117	808,631
Asset Retirement Obligation	0	17,600	17,600
<i>Total Deferred Outflows of Resources</i>	<u>5,753,247</u>	<u>97,455</u>	<u>5,850,667</u>
<b>Liabilities</b>			
Accounts Payable	188,805	7,002	195,807
Deposits Held Payable	301,675	0	301,675
Accrued Wages	124,816	2,727	127,543
Vacation Benefits Payable	158,109	0	158,109
Accrued Interest Payable	53,639	10,099	63,738
Intergovernmental Payable	131,606	312,216	443,822
Unearned Revenue	702,309	0	702,309
Long-Term Liabilities:			
Due Within One Year	962,281	361,144	1,323,425
Due In More Than One Year:			
Net Pension Liability (See Note 10)	13,756,191	166,143	13,922,334
Net OPEB Liability (See Note 11)	889,233	3,402	892,635
Other Amounts	4,299,773	568,007	4,867,780
<i>Total Liabilities</i>	<u>21,568,437</u>	<u>1,430,740</u>	<u>22,999,177</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,839,537	0	1,839,537
Leases	1,174,289	0	1,174,289
Pension	839,881	1,919	841,765
OPEB	931,350	1,546	932,896
<i>Total Deferred Inflows of Resources</i>	<u>4,785,057</u>	<u>3,465</u>	<u>4,788,487</u>
<b>Net Position</b>			
Net Investment in Capital Assets	17,785,505	15,541,773	33,327,278
Restricted for:			
Capital Projects	289,715	0	289,715
Debt Service	295,162	0	295,162
Pension Plans	7,360	470	7,830
Other Purposes	5,536,311	0	5,536,311
Unrestricted (Deficit)	(3,310,859)	1,427,968	(1,882,891)
<i>Total Net Position</i>	<u>\$20,603,194</u>	<u>\$16,970,211</u>	<u>\$37,573,405</u>

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

See accompanying notes to the basic financial statements

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Assessments
<b>Governmental Activities:</b>				
General Government	\$2,393,011	\$705,518	\$0	\$0
Security of Persons and Property				
Police	4,518,656	508,477	81,487	0
Fire	3,575,188	354,769	119,917	0
Transportation	2,380,348	227,668	957,035	144,419
Community Environment	144,932	40,563	3,525	0
Leisure Time Activities	315,776	86,972	0	0
Interest	144,979	0	0	0
<i>Total Governmental Activities</i>	13,472,890	1,923,967	1,161,964	144,419
<b>Business-Type Activity:</b>				
Sewer	2,161,616	1,946,513	0	39,463
<i>Total</i>	<u>\$15,634,506</u>	<u>\$3,870,480</u>	<u>\$1,161,964</u>	<u>\$183,882</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				
Police Pension				
Fire Levy				
Road Levy				
Municipal Income Tax Levied for:				
General Purposes				
Safety Forces				
Admission and Hotel Taxes				
Permissive Taxes				
Grants and Entitlements not Restricted to Specific Programs				
Franchise Taxes				
Investment Earnings/Interest				
Unrestricted Contributions				
Other				
<i>Total General Revenues</i>				
<i>Change in Net Position</i>				
<i>Net Position Beginning of Year</i>				
<i>Net Position End of Year</i>				

See accompanying notes to the basic financial statements

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Net (Expense) Revenue and Changes in Net Position

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Governmental Activities	Business-Type Activity	Total
(\$1,687,493)	\$0	(\$1,687,493)
(3,928,692)	0	(3,928,692)
(3,100,502)	0	(3,100,502)
(1,051,226)	0	(1,051,226)
(100,844)	0	(100,844)
(228,804)	0	(228,804)
(144,979)	0	(144,979)
(10,242,540)	0	(10,242,540)
0	(175,640)	(175,640)
(10,242,540)	(175,640)	(10,418,180)
775,434	0	775,434
86,668	0	86,668
516,956	0	516,956
571,490	0	571,490
6,133,519	0	6,133,519
1,494,563	0	1,494,563
36,763	0	36,763
50,869	0	50,869
708,112	0	708,112
93,252	0	93,252
320,247	38,588	358,835
13,058	0	13,058
227,128	1,275	228,403
11,028,059	39,863	11,067,922
785,519	(135,777)	649,742
19,817,675	17,105,988	36,923,663
\$20,603,194	\$16,970,211	\$37,573,405

**City of Willoughby Hills, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2023*

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$4,988,195	\$1,701,099	\$228,688	\$4,893,448	\$11,811,430
Materials and Supplies Inventory	5,795	38,567	0	55,805	100,167
Accounts Receivable	3,966	0	0	348,879	352,845
Interfund Receivable	0	0	0	70,444	70,444
Permissive Taxes Receivable	0	0	0	4,158	4,158
Intergovernmental Receivable	314,072	32,623	47,962	348,761	743,418
Prepaid Items	67,114	0	0	0	67,114
Leases Receivable	1,166,011	0	0	8,278	1,174,289
Municipal Income Taxes Receivable	1,905,428	476,356	0	0	2,381,784
Property Taxes Receivable	740,185	0	0	1,121,682	1,861,867
Special Assessments Receivable	0	0	3,177,566	0	3,177,566
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	333,175	0	0	0	333,175
<i>Total Assets</i>	<u>\$9,523,941</u>	<u>\$2,248,645</u>	<u>\$3,454,216</u>	<u>\$6,851,455</u>	<u>\$22,078,257</u>
<b>Liabilities</b>					
Accounts Payable	\$109,019	\$53,640	\$0	\$26,146	\$188,805
Deposits Held Payable from Restricted Assets	301,675	0	0	0	301,675
Accrued Wages	23,027	81,578	0	20,211	124,816
Intergovernmental Payable	40,843	85,498	0	5,265	131,606
Interfund Payable	0	0	0	70,444	70,444
Unearned Revenue	0	0	0	702,309	702,309
<i>Total Liabilities</i>	<u>474,564</u>	<u>220,716</u>	<u>0</u>	<u>824,375</u>	<u>1,519,655</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	731,505	0	0	1,108,032	1,839,537
Leases	1,166,011	0	0	8,278	1,174,289
Unavailable Revenue	1,737,624	363,691	3,225,528	624,008	5,950,851
<i>Total Deferred Inflows of Resources</i>	<u>3,635,140</u>	<u>363,691</u>	<u>3,225,528</u>	<u>1,740,318</u>	<u>8,964,677</u>
<b>Fund Balances</b>					
Nonspendable	104,409	38,567	0	55,805	198,781
Restricted	0	1,625,671	228,688	3,329,327	5,183,686
Committed	41,201	0	0	904,093	945,294
Assigned	352,859	0	0	0	352,859
Unassigned (Deficit)	4,915,768	0	0	(2,463)	4,913,305
<i>Total Fund Balances</i>	<u>5,414,237</u>	<u>1,664,238</u>	<u>228,688</u>	<u>4,286,762</u>	<u>11,593,925</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$9,523,941</u>	<u>\$2,248,645</u>	<u>\$3,454,216</u>	<u>\$6,851,455</u>	<u>\$22,078,257</u>

See accompanying notes to the basic financial statements

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

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<b>Total Governmental Funds Balances</b>	<b>\$11,593,925</b>
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*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.	19,188,268
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Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent Property Taxes	22,330	
Income Taxes	1,818,458	
Charges for Services	210,067	
Fines, Forfeitures and Settlements	105,324	
Intergovernmental	610,062	
Special Assessments	3,177,566	
Miscellaneous Revenue	7,044	
Total		5,950,851

In the statement of activities, interest is accrued on outstanding liabilities, whereas in governmental funds, an interest expenditure is reported when due.	(53,639)
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Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(158,109)
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The net pension asset (liability) and the net OPEB liability are not due and payable in the current period; therefore, the asset (liability) and related deferred inflows/outflows are not reported in governmental funds.

Net Pension Asset	7,360	
Deferred Outflows - Pension	4,954,733	
Net Pension Liability	(13,756,191)	
Deferred Inflows - Pension	(839,881)	
Deferred Outflows - OPEB	798,514	
Net OPEB Liability	(889,233)	
Deferred Inflows - OPEB	(931,350)	
Total		(10,656,048)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(1,540,000)	
OWDA Loans Payable	(3,233,130)	
Leases	(26,426)	
Compensated Absences	(462,498)	
Total		(5,262,054)

<i>Net Position of Governmental Activities</i>	<u><u>\$20,603,194</u></u>
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See accompanying notes to the basic financial statements

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

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$776,992	\$0	\$0	\$1,176,947	\$1,953,939
Municipal Income Taxes	6,163,746	1,525,617	0	0	7,689,363
Admission and Hotel Taxes	36,763	0	0	0	36,763
Charges for Services	225,770	0	0	435,094	660,864
Licenses, Permits and Fees	255,394	630	0	0	256,024
Fines, Forfeitures and Settlements	297,248	0	0	559,567	856,815
Permissive Taxes	0	0	0	50,869	50,869
Intergovernmental	734,983	38,378	32,949	1,230,160	2,036,470
Special Assessments	0	0	663,778	0	663,778
Investment Earnings/Interest	165,060	49,563	4,087	101,537	320,247
Rentals	101,658	0	0	5,685	107,343
Lease Revenue	36,681	0	0	13,858	50,539
Contributions and Donations	13,058	4,220	0	3,525	20,803
Franchise Taxes	93,252	0	0	0	93,252
Miscellaneous	153,288	63,677	0	3,119	220,084
<i>Total Revenues</i>	<u>9,053,893</u>	<u>1,682,085</u>	<u>700,814</u>	<u>3,580,361</u>	<u>15,017,153</u>
<b>Expenditures</b>					
Current:					
General Government	2,227,792	50,244	22,407	28,473	2,328,916
Security of Persons and Property					
Police	0	4,234,610	0	157,549	4,392,159
Fire	0	2,036,218	0	955,380	2,991,598
Transportation	884,689	0	0	1,294,406	2,179,095
Community Environment	157,624	0	0	623	158,247
Leisure Time Activities	244,623	0	0	8,660	253,283
Capital Outlay	0	0	0	218,668	218,668
Debt Service:					
Principal Retirement	5,457	5,647	673,214	1,186	685,504
Interest	417	486	177,245	91	178,239
<i>Total Expenditures</i>	<u>3,520,602</u>	<u>6,327,205</u>	<u>872,866</u>	<u>2,665,036</u>	<u>13,385,709</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,533,291</u>	<u>(4,645,120)</u>	<u>(172,052)</u>	<u>915,325</u>	<u>1,631,444</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	226	0	0	42,106	42,332
Transfers In	0	4,659,138	167,574	19,032	4,845,744
Transfers Out	(4,663,170)	0	0	(182,574)	(4,845,744)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,662,944)</u>	<u>4,659,138</u>	<u>167,574</u>	<u>(121,436)</u>	<u>42,332</u>
<i>Net Change in Fund Balances</i>	<u>870,347</u>	<u>14,018</u>	<u>(4,478)</u>	<u>793,889</u>	<u>1,673,776</u>
<i>Fund Balances Beginning of Year</i>	<u>4,543,890</u>	<u>1,650,220</u>	<u>233,166</u>	<u>3,492,873</u>	<u>9,920,149</u>
<i>Fund Balances End of Year</i>	<u>\$5,414,237</u>	<u>\$1,664,238</u>	<u>\$228,688</u>	<u>\$4,286,762</u>	<u>\$11,593,925</u>

See accompanying notes to the basic financial statements



**City of Willoughby Hills, 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*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,673,776</b>
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*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 Asset Additions	1,420,497	
Current Year Depreciation/Amortization	(1,247,602)	
Total		172,895

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(358,415)
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.

Delinquent Property Taxes	(3,391)	
Income Taxes	(61,281)	
Charges for Services	(80,325)	
Licenses, Permits and Fees	(23,441)	
Fines, Forfeitures and Settlements	105,324	
Intergovernmental	(171,984)	
Special Assessments	(521,514)	
Rentals	(9,176)	
Miscellaneous	7,044	
Total		(758,744)

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

Pension	936,048	
OPEB	18,027	
Total		954,075

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

Pension	(1,753,679)	
OPEB	58,336	
Total		(1,695,343)

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

General Obligation Bonds Payable	100,000	
OPWC Loans Payable	5,000	
OWDA Loans Payable	568,214	
Leases Payable	12,290	
Total		685,504

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.	33,260
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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	81,374	
Vacation Benefits Payable	(2,863)	
Total		78,511

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$785,519</u></u>
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See accompanying notes to the basic financial statements

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

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$763,200	\$763,200	\$776,992	\$13,792
Municipal Income Taxes	6,198,800	6,198,800	6,189,917	(8,883)
Admission and Hotel Taxes	35,400	35,400	37,898	2,498
Charges for Services	193,500	193,500	209,990	16,490
Licenses, Permits and Fees	112,400	112,400	126,114	13,714
Fines, Forfeitures and Settlements	254,100	254,100	297,248	43,148
Intergovernmental	701,700	701,700	741,915	40,215
Interest	13,500	13,500	146,827	133,327
Rentals	98,800	98,800	101,658	2,858
Contributions and Donations	500	500	547	47
Franchise Taxes	105,300	105,300	89,286	(16,014)
Miscellaneous	365,400	239,100	207,046	(32,054)
<i>Total Revenues</i>	<u>8,842,600</u>	<u>8,716,300</u>	<u>8,925,438</u>	<u>209,138</u>
<b>Expenditures</b>				
Current:				
General Government	2,430,244	2,437,144	2,337,666	99,478
Transportation	1,102,220	1,102,220	964,167	138,053
Community Environment	229,718	229,718	186,295	43,423
Leisure Time Activities	264,971	264,971	230,203	34,768
<i>Total Expenditures</i>	<u>4,027,153</u>	<u>4,034,053</u>	<u>3,718,331</u>	<u>315,722</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,815,447</u>	<u>4,682,247</u>	<u>5,207,107</u>	<u>524,860</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	226	226
Transfers Out	(4,877,900)	(4,958,900)	(4,681,791)	277,109
<i>Total Other Financing Sources (Uses)</i>	<u>(4,877,900)</u>	<u>(4,958,900)</u>	<u>(4,681,565)</u>	<u>277,335</u>
<i>Net Change in Fund Balance</i>	<u>(62,453)</u>	<u>(276,653)</u>	<u>525,542</u>	<u>802,195</u>
<i>Fund Balance Beginning of Year</i>	<u>3,565,285</u>	<u>3,565,285</u>	<u>3,565,285</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>484,853</u>	<u>484,853</u>	<u>484,853</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,987,685</u>	<u>\$3,773,485</u>	<u>\$4,575,680</u>	<u>\$802,195</u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Municipal Income Taxes	\$1,576,082	\$1,635,000	\$1,539,469	(\$95,531)
Licenses, Permits and Fees	2,314	2,400	630	(1,770)
Intergovernmental	16,773	17,400	6,774	(10,626)
Interest	3,470	3,600	49,563	45,963
Contributions and Donations	4,338	4,500	4,220	(280)
Miscellaneous	38,173	39,600	63,677	24,077
<i>Total Revenues</i>	<u>1,641,150</u>	<u>1,702,500</u>	<u>1,664,333</u>	<u>(38,167)</u>
<b>Expenditures</b>				
Current:				
General Government	53,112	54,100	50,244	3,856
Security of Persons and Property				
Police	4,701,319	4,788,797	4,565,858	222,939
Fire	2,162,248	2,202,481	2,102,607	99,874
<i>Total Expenditures</i>	<u>6,916,679</u>	<u>7,045,378</u>	<u>6,718,709</u>	<u>326,669</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(5,275,529)</u>	<u>(5,342,878)</u>	<u>(5,054,376)</u>	<u>288,502</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>4,744,151</u>	<u>4,921,500</u>	<u>4,659,138</u>	<u>(262,362)</u>
<i>Net Change in Fund Balance</i>	<u>(531,378)</u>	<u>(421,378)</u>	<u>(395,238)</u>	<u>26,140</u>
<i>Fund Balance Beginning of Year</i>	<u>1,218,147</u>	<u>1,218,147</u>	<u>1,218,147</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>388,878</u>	<u>388,878</u>	<u>388,878</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,075,647</u>	<u>\$1,185,647</u>	<u>\$1,211,787</u>	<u>\$26,140</u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Fund*  
*December 31, 2023*

	Sewer
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,732,723
Intergovernmental Receivable	106,065
Prepaid Items	16,779
<i>Total Current Assets</i>	<u>1,855,567</u>
<i>Noncurrent Assets</i>	
Restricted Assets:	
Net Pension Asset	470
Nondepreciable Capital Assets	268,613
Depreciable Capital Assets, Net	16,182,311
<i>Total Noncurrent Assets</i>	<u>16,451,394</u>
<i>Total Assets</i>	<u>18,306,961</u>
<b>Deferred Outflows of Resources</b>	
Pension	69,738
OPEB	10,117
Asset Retirement Obligation	17,600
<i>Total Deferred Outflows of Resources</i>	<u>97,455</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	7,002
Accrued Wages	2,727
Accrued Interest Payable	10,099
Intergovernmental Payable	312,216
OWDA Loans Payable	323,694
OPWC Loans Payable	37,450
<i>Total Current Liabilities</i>	<u>693,188</u>
<i>Long-Term Liabilities (Net of Current Portion):</i>	
OWDA Loans Payable	479,382
OPWC Loans Payable	68,625
Asset Retirement Obligation	20,000
Net Pension Liability	166,143
Net OPEB Liability	3,402
<i>Total Long-Term Liabilities</i>	<u>737,552</u>
<i>Total Liabilities</i>	<u>1,430,740</u>
<b>Deferred Inflows of Resources</b>	
Pension	1,919
OPEB	1,546
<i>Total Deferred Inflows of Resources</i>	<u>3,465</u>
<b>Net Position</b>	
Net Investment in Capital Assets	15,541,773
Restricted for Pension Plans	470
Unrestricted	1,427,968
<i>Total Net Position</i>	<u>\$16,970,211</u>

See accompanying notes to the basic financial statements

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

	<u>Sewer</u>
<b>Operating Revenue</b>	
Charges for Services	\$1,946,513
Other	<u>1,275</u>
<i>Total Operating Revenues</i>	<u>1,947,788</u>
<b>Operating Expenses</b>	
Personal Services	127,917
Fringe Benefits	43,826
Contractual Services	1,385,094
Depreciation	576,739
Other	<u>5,607</u>
<i>Total Operating Expenses</i>	<u>2,139,183</u>
<i>Operating Income (Loss)</i>	<u>(191,395)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Earnings/Interest	38,588
Special Assessments	39,463
Interest	<u>(22,433)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>55,618</u>
<i>Change in Net Position</i>	(135,777)
<i>Net Position Beginning of Year</i>	<u>17,105,988</u>
<i>Net Position End of Year</i>	<u><u>\$16,970,211</u></u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund*  
*For the Year Ended December 31, 2023*

	<u>Sewer</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,863,636
Cash Received from Other Operating Sources	1,275
Cash Payments for Employee Services and Benefits	(175,806)
Cash Payments for Contractual Services	(1,584,130)
Cash Payments for Other Operating Expenses	<u>(8,840)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>96,135</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on OWDA Loans	(313,833)
Interest Paid on OWDA Loans	(26,760)
Principal Paid on OPWC Loans	(37,450)
Acquisition of Capital Assets	(177,406)
Special Assessments	<u>39,463</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(515,986)</u>
<b>Cash Flows from Investing Activities</b>	
Investment Earnings/Interest	<u>38,588</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(381,263)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,113,986</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,732,723</u></u>
	(continued)

**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund (continued)*  
*For the Year Ended December 31, 2023*

	<u>Sewer</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	<u>(\$191,395)</u>
Adjustments:	
Depreciation	576,739
(Increase)/Decrease in Assets/Deferred Outflows:	
Intergovernmental Receivable	(82,877)
Prepays	(1,529)
Net Pension Asset	43
Asset Retirement Obligation	400
Deferred Outflows - Pension	29,476
Deferred Outflows - OPEB	6,913
Increase/(Decrease) in Liabilities/Deferred Inflows:	
Accounts Payable	3,713
Accrued Wages	726
Intergovernmental Payable	(204,463)
Net Pension Liability	5,369
Net OPEB Liability	(113)
Deferred Inflows - Pension	(31,120)
Deferred Inflows - OPEB	<u>(15,747)</u>
<i>Total Adjustments</i>	<u>287,530</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$96,135</u></u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Fiduciary Net Position*  
*Custodial Fund*  
*December 31, 2023*

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**Assets**

Cash and Cash Equivalents in Segregated Accounts	<u>\$1,848</u>
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**Liabilities**

Accounts Payable	74
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Intergovernmental Payable	<u>1,774</u>
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<i>Total Liabilities</i>	<u>1,848</u>
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**Net Position**

Restricted for Individuals and Other Governments	<u><u>\$0</u></u>
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See accompanying notes to the basic financial statements



**City of Willoughby Hills, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*December 31, 2023*

<b>Additions</b>	
Fines and Forfeitures for Individuals	\$4,896
Fines and Forfeitures for Other Governments	<u>117,511</u>
<i>Total Additions</i>	<u>122,407</u>
<b>Deletions</b>	
Distributions to Individuals	4,896
Distributions to Other Governments	<u>117,511</u>
<i>Total Deductions</i>	<u>122,407</u>
<i>Net Change in Fiduciary Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

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

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## **Note 1 - Reporting Entity**

The City of Willoughby Hills (the City) is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective September 15, 1970. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor. The council members are elected for four year staggered terms. Four of the council members are elected at large. The mayor is elected for a four year term.

### ***Reporting Entity***

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

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

The City participates in the Northeast Ohio Public Energy Council and the Regional Income Tax Agency jointly governed organizations and the Public Entities Pool of Ohio a public entity risk pool. These organizations are discussed in Note 15 and 18 of the Basic Financial Statements.

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

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

### ***Basis of Presentation***

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

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

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

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

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

***Fund Accounting***

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

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

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

**Safety Forces Fund** The safety forces special revenue fund is used to account for and report voter approved income taxes that are restricted for salaries of police and firemen and for police and fire supplies and equipment.

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

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**General Obligation Bond Retirement Fund** The general obligation bond retirement fund is used to account for and report restricted property taxes levied to be used for the payment of principal and interest on general obligation bonds issued.

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

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

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

**Sewer Fund** The sewer fund accounts for and reports the provisions of sanitary sewer services to the residents and commercial users located within the City.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The liabilities represent amounts where no further action is needed to release the assets to other governments.

The City's fiduciary fund is a custodial fund. The City's custodial fund accounts for amounts collected and distributed on behalf of the mayor's court.

**Measurement Focus**

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

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

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

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Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For the proprietary funds, 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.

Fiduciary funds present a statement of revenues, expenses and changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

***Reclassifications***

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

***Basis of Accounting***

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported in the government-wide statement of net position for pension and OPEB and the business-type activities also have asset retirement obligations. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, fees, forfeitures and settlements, intergovernmental, special assessments, rentals and miscellaneous. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11)

***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.

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

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

***Budgetary Process***

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the



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

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amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department for all funds. Any budgetary modifications at this level may only be made by resolution of City Council. Authority to further allocate Council appropriations within objects has been given to the Director of Finance.

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

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

***Cash and Cash Equivalents***

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City Treasury.

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2023 amounted to \$165,060 which includes \$16,772 assigned from other City funds.

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

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

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***Prepaid Items***

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

***Inventory***

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

***Restricted Assets***

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

***Capital Assets***

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

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

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

Description	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 20 years
Infrastructure	20 - 50 years
Intangible Right to Use - Equipment	4 - 5 years



**City of Willoughby Hills, Ohio**  
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The City's infrastructure consists of roads, sidewalks, sanitary sewers, storm sewers and traffic signals and does not include infrastructure acquired prior to December 31, 2004.

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

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees the City has identified as probable of receiving payment in the future (those employees with ten years or more of service). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after ten years of service with the City.

***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 the proprietary fund are reported on the proprietary fund financial statements.

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

***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.

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

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

***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 and legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the 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 is 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 Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance for recreation.

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

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

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for pension plans represent the corresponding restricted asset amounts held in trust by the pension plans for future benefits. Net position restricted for other purposes include resources restricted for court improvements, police and fire safety forces and street repair and maintenance.

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

***Operating Revenues and Expenses***

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

***Interfund Activity***

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

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

***Interfund Balances***

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

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

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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***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

***Unearned Revenue***

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because the amounts have not yet been earned. The City recognizes unearned revenue from grants received before the eligibility requirements are met.

***Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$106,097 as a receivable related to opioid settlement monies in the OneOhio Special Revenue Fund in the accompanying financial statements.

During 2023, Ohio reached a settlement agreement with Monsanto. As a participating subdivision, the City received a settlement payment of \$20,486 during 2023. This amount is reflected as fines, forfeitures and settlements revenue in the OneOhio Opioid Special Revenue Fund in the accompanying financial statements.

***Leases***

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

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

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

**City of Willoughby Hills, Ohio**  
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**Note 3 - Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual are presented in the basic financial statements for the general fund and major special revenue fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

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. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.
5. Budgetary revenues and expenditures of the recreation fund are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds:

Net Change in Fund Balance		
	General	Safety Forces
GAAP Basis	\$870,347	\$14,018
Net Adjustment for Revenue Accruals	(76,364)	(17,752)
Beginning Unrecorded Cash	11,608	64,370
Ending Unrecorded Cash	(13,608)	(66,939)
Net Adjustment for Expenditure Accruals	139,181	33,438
Perspective Difference:		
Recreation	(3,810)	0
Encumbrances	(401,812)	(422,373)
Budget Basis	<u>\$525,542</u>	<u>(\$395,238)</u>

**City of Willoughby Hills, Ohio**  
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#### **Note 4 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

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

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

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2023, \$2,917,147 of the City's total bank balance of \$11,775,414 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 60 percent resulting in the uninsured and uncollateralized balance.

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



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

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

### **Investments**

As of December 31, 2023, the City had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$2,380,565 which is valued at net asset value per share. The average maturity is 46.4 days.

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase if they have a variable interest rate and five years for investments that have a fixed rate and that the City's investment portfolio be structured so that 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** STAR Ohio carries a rating of Aaa by Moody's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization. The City has no investment policy that addresses credit risk.

**Concentration of Credit Risk.** The City places no limit on the amount it may invest in any one issuer.

### **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:



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Fund Balances	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>					
Unclaimed Monies	\$31,500	\$0	\$0	\$0	\$31,500
Inventory	5,795	38,567	0	55,805	100,167
Prepays	67,114	0	0	0	67,114
<b><i>Total Nonspendable</i></b>	<b>104,409</b>	<b>38,567</b>	<b>0</b>	<b>55,805</b>	<b>198,781</b>
<b><i>Restricted for</i></b>					
Court Improvements	0	0	0	1,695	1,695
Veterans Memorial	0	0	0	814	814
Police Pension	0	0	0	44,659	44,659
Public Safety	0	1,625,671	0	363,497	1,989,168
Street Maintenance	0	0	0	1,911,309	1,911,309
Opioid Settlement	0	0	0	26,330	26,330
Enforcement and Education	0	0	0	527,645	527,645
Debt Service Payments	0	0	228,688	0	228,688
Capital Improvements	0	0	0	453,378	453,378
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,625,671</b>	<b>228,688</b>	<b>3,329,327</b>	<b>5,183,686</b>
<b><i>Committed to</i></b>					
Termination Pay	30,201	0	0	0	30,201
Underground Storage	11,000	0	0	0	11,000
Parks and Recreation	0	0	0	39,057	39,057
Assistance to Seniors	0	0	0	38,451	38,451
Capital Improvements	0	0	0	826,585	826,585
<b><i>Total Committed</i></b>	<b>41,201</b>	<b>0</b>	<b>0</b>	<b>904,093</b>	<b>945,294</b>
<b><i>Assigned to</i></b>					
Recreation	25,046	0	0	0	25,046
Purchases on Order:					
Personal Services	31,467	0	0	0	31,467
Fringe Benefits	14,408	0	0	0	14,408
Contractual Services	281,938	0	0	0	281,938
<b><i>Total Assigned</i></b>	<b>352,859</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>352,859</b>
<b><i>Unassigned (Deficit)</i></b>	<b>4,915,768</b>	<b>0</b>	<b>0</b>	<b>(2,463)</b>	<b>4,913,305</b>
<b><i>Total Fund Balances</i></b>	<b>\$5,414,237</b>	<b>\$1,664,238</b>	<b>\$228,688</b>	<b>\$4,286,762</b>	<b>\$11,593,925</b>

**Note 6 - Receivables**

Receivables at December 31, 2023, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, permissive taxes, special assessments, leases and accounts.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes and special assessments 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 \$2,630,618 in the general obligation bond retirement fund. At December 31, 2023, the amount of delinquent special assessments was \$21,905.

***Property Taxes***

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

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The full tax rate for all City operations for the year ended December 31, 2023, was \$7.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2023 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$254,242,510
Other Real Estate	61,118,090
Tangible Personal Property	
Public Utility	<u>7,627,070</u>
Total Assessed Values	<u><u>\$322,987,670</u></u>

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

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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***Income Taxes***

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. On November 2, 2010, a majority of the electors voted to approve an amendment to the City charter which increased the income tax rate to two percent from one and one half percent effective January 1, 2011. The amendment further stipulates that any and all income above one and one half percent up to two percent of income tax paid on income earned within the City and net profits shall be exclusively used to support the City's safety forces. The City allows a resident who works outside of the City a tax credit for income tax paid to the resident's workplace community. This credit is equal to the workplace community's tax rate up to a workplace tax rate of 1.5 percent. A resident's income tax liability is equal to 2 percent of the resident's annual earned income minus the lesser of the resident's workplace community's income tax rate or 1.5 percent. 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.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 3 percent. Taxes collected by RITA in one month are remitted to the City on the first and fifteenth business days of the following month. Income tax revenue is credited to the general fund and safety forces special revenue fund.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>Governmental Activities</i>	
Local Government	\$253,947
Gas Excise Tax	234,429
Homestead and Rollback	119,679
Lake County	47,962
Motor Vehicle License Tax	34,934
Police Education Grant	21,558
Federal Grant	11,065
Lake County Stone Grant	7,714
Willoughby-Eastlake Public Library	7,044
Liquor Tax	4,694
Willoughby Municipal Court	392
<i>Total Governmental Activities</i>	<u><u>\$743,418</u></u>
<i>Business-Type Activity</i>	
Lake County	<u><u>\$106,065</u></u>

**City of Willoughby Hills, Ohio**  
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***Lease Receivable***

The City is reporting leases receivable of \$1,166,011 and \$8,278 in the general fund and park maintenance special revenue fund, respectively, at December 31, 2023. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2023, the City recognized lease revenue of \$36,681 and interest revenue of \$17,634 in the general fund and recognized lease revenue of \$13,858 and interest revenue of \$475 in the park maintenance special revenue fund related to lease payments received. A description of the City's leasing arrangements is as follows:

*Cell Tower Leases* – The City has entered into various lease agreements for cell towers with multiple companies at varying years and terms as follows:

Company	Lease Commencement Date	Years	Lease Ending Date	Payment Method
Verizon	1987	55	2042	Monthly
TowerCo Cell Tower	2019	30	2049	Monthly
CC Holdings/Sprint	1998	26	2024	Monthly

A summary of future lease amounts receivable is as follows:

	General		Park Maintenance	
Year	Principal	Interest	Principal	Interest
2024	\$45,778	\$36,204	\$8,278	\$83
2025	27,405	25,587	0	0
2026	29,362	24,915	0	0
2027	31,400	24,194	0	0
2028	33,524	23,422	0	0
2029-2033	202,663	103,542	0	0
2034-2038	270,400	75,085	0	0
2039-2043	294,526	38,411	0	0
2044-2048	218,860	12,544	0	0
2049	12,093	40	0	0
	<u>\$1,166,011</u>	<u>\$363,944</u>	<u>\$8,278</u>	<u>\$83</u>

**City of Willoughby Hills, Ohio**  
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**Note 7 – Interfund Transfers and Balances and Internal Balances**

***Interfund Transfers***

Transfers made during the year ended December 31, 2023 were as follows:

<b>Transfer To</b>	<b>Transfer From</b>		
	General	Other Governmental Funds	Total
<b>Major Funds</b>			
Safety Forces	\$4,659,138	\$0	\$4,659,138
General Obligation Bond Retirement	0	167,574	167,574
<i>Total Major Funds</i>	<u>4,659,138</u>	<u>167,574</u>	<u>4,826,712</u>
<b>Other Governmental Funds</b>			
Pleasant Valley Bridge	0	15,000	15,000
Recreation Improvement	4,032	0	4,032
<i>Total Other Governmental Funds</i>	<u>4,032</u>	<u>15,000</u>	<u>19,032</u>
<i>Total Governmental Activities</i>	<u>\$4,663,170</u>	<u>\$182,574</u>	<u>\$4,845,744</u>

The general fund made transfers to the safety forces special revenue fund and the recreation improvement capital projects fund to provide additional resources for current operations. The street construction, maintenance and repair special revenue fund made a transfer to the pleasant valley bridge capital projects fund for its portion of the enacted \$5 motor vehicle license fees. The road levy special revenue fund and the fire department capital equipment capital projects fund made transfers to the general obligation bond retirement debt service fund for debt payment requirements.

***Interfund Balances***

The interfund balance at December 31, 2023, consists of an interfund receivable/payable between the law enforcement grants and law enforcement trust special revenue funds in the amount of \$5,444 and the FEMA special revenue fund and fire department capital equipment capital projects fund of \$65,000. These loans were made to subsidize grant funding until it could be secured.

***Internal Balances – Change in Proportionate Share***

The City uses an internal proportionate share to allocate its net pension/OPEB liability (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the business type activities and deferred inflows of resources for the governmental activities in the amount of \$35 for pension.

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## Note 8 - Capital Assets

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

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023
<b>Governmental Activities:</b>				
<i><b>Nondepreciable Capital Assets</b></i>				
Land	\$729,700	\$0	\$0	\$729,700
Construction in progress	2,947,292	163,424	(2,090,583)	1,020,133
<i>Total Nondepreciable Capital Assets</i>	3,676,992	163,424	(2,090,583)	1,749,833
<i><b>Depreciable Capital Assets</b></i>				
<i><b>Tangible Assets</b></i>				
Land Improvements	1,470,273	0	0	1,470,273
Buildings and Improvements	8,628,602	491,395	(12,789)	9,107,208
Machinery and Equipment	8,711,758	751,061	(231,600)	9,231,219
Infrastructure	11,674,799	2,105,200	(514,393)	13,265,606
<i>Total Tangible Assets</i>	30,485,432	3,347,656	(758,782)	33,074,306
<i><b>Intangible Right to Use</b></i>				
<i><b>Lease Assets</b></i>				
Intangible Right to Use - Equipment	49,156	0	0	49,156
<i>Total Depreciable Capital Assets</i>	30,534,588	3,347,656	(758,782)	33,123,462
<i><b>Less: Accumulated depreciation/amortization</b></i>				
<i><b>Depreciation</b></i>				
Land Improvements	(1,121,832)	(34,460)	0	(1,156,292)
Buildings and Improvements	(4,656,997)	(185,139)	852	(4,841,284)
Machinery and Equipment	(5,753,309)	(495,059)	158,481	(6,089,887)
Infrastructure	(3,295,214)	(520,654)	241,034	(3,574,834)
<i>Total Depreciation</i>	(14,827,352)	(1,235,312)	400,367	(15,662,297)
<i><b>Amortization</b></i>				
Intangible Right to Use - Equipment	(10,440)	(12,290)	0	(22,730)
<i>Total Accumulated Depreciation/Amortization</i>	(14,837,792)	(1,247,602) *	400,367	(15,685,027)
<i>Total Depreciable Capital Assets, Net</i>	15,696,796	2,100,054	(358,415)	17,438,435
<i>Governmental Activities Capital Assets, Net</i>	\$19,373,788	\$2,263,478	(\$2,448,998)	\$19,188,268

**City of Willoughby Hills, Ohio**  
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\*Depreciation/Amortization expense was charged to governmental activities as follows:

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
General Government	\$100,887	\$10,758	\$111,645
Security of Persons and Property			
Police	166,314	0	166,314
Fire	199,629	1,532	201,161
Transportation	690,438	0	690,438
Leisure Time Activities	76,275	0	76,275
Community Development	1,769	0	1,769
Total	<u>\$1,235,312</u>	<u>\$12,290</u>	<u>\$1,247,602</u>

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2023</u>
<b>Business-type activities:</b>				
<i><b>Nondepreciable Capital Assets</b></i>				
Land	<u>\$268,613</u>	<u>\$0</u>	<u>\$0</u>	<u>\$268,613</u>
<i><b>Depreciable Capital Assets</b></i>				
Machinery and Equipment	1,033,676	0	0	1,033,676
Infrastructure	<u>23,337,014</u>	<u>177,406</u>	<u>0</u>	<u>23,514,420</u>
<i>Total Depreciable Capital Assets</i>	<u>24,370,690</u>	<u>177,406</u>	<u>0</u>	<u>24,548,096</u>
<i><b>Less: Accumulated depreciation</b></i>				
Machinery and Equipment	(590,075)	(79,653)	0	(669,728)
Infrastructure	<u>(7,198,971)</u>	<u>(497,086)</u>	<u>0</u>	<u>(7,696,057)</u>
<i>Total Depreciation</i>	<u>(7,789,046)</u>	<u>(576,739)</u>	<u>0</u>	<u>(8,365,785)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>16,581,644</u>	<u>(399,333)</u>	<u>0</u>	<u>16,182,311</u>
<i>Business-type Activities Capital Assets, Net</i>	<u>\$16,850,257</u>	<u>(\$399,333)</u>	<u>\$0</u>	<u>\$16,450,924</u>

**Note 9 - Risk Management**

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

During 2023, the City participated in the Public Entities Pool of Ohio with USI Insurance Services acting as the City's agent for the following types of insurance:

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Type	Coverage
Buildings	\$18,938,612
Personal Property	2,150,454
Third Party Legal Liability	11,000,000 per occurrence
Vehicle Liability	11,000,000 per occurrence
Law Enforcement Liability	11,000,000 per occurrence
Wrongful Acts Liability	11,000,000 per occurrence
Employee Benefit Liability	1,000,000 aggregate

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

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

**Note 10 – Defined Benefit Pension Plans**

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

***Net Pension Liability (Asset)/Net OPEB Liability***

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

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

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

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



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

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

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

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

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

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

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

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

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

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

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

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

	State and Local	
	Traditional	Combined
<b>2023 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
<b>2023 Actual Contribution Rates</b>		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	0.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

- \* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- \*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

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

For 2023, the City's contractually required contribution was \$226,718 for the traditional plan, \$1,932 for the combined plan and \$1,258 for the member-directed plan. Of these amounts, \$23,477 is reported as an intergovernmental payable for the traditional plan, \$201 for the combined plan and \$130 for the member-directed plan.

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

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

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

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

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$721,117 for 2023. Of this amount, \$80,336 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.00937400%	0.00332200%	0.11741460%	
Prior Measurement Date	<u>0.00919600%</u>	<u>0.00330500%</u>	<u>0.12301190%</u>	
Change in Proportionate Share	<u>0.00017800%</u>	<u>0.00001700%</u>	<u>-0.00559730%</u>	
Proportionate Share of the:				
Net Pension Liability	\$2,769,084	\$0	\$11,153,250	\$13,922,334
Net Pension Asset	0	7,830	0	7,830
Pension Expense	290,537	1,153	1,479,476	1,771,166

2023 pension expense for the member-directed defined contribution plan was \$1,258. The aggregate pension expense for all pension plans was \$1,772,424 for 2023.

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$91,977	\$481	\$167,293	\$259,751
Changes of assumptions	29,253	519	1,005,984	1,035,756
Net difference between projected and actual earnings on pension plan investments	789,276	2,853	1,623,776	2,415,905
Changes in proportion and differences between City contributions and proportionate share of contributions	18,795	114	344,348	363,257
City contributions subsequent to the measurement date	226,718	1,932	721,117	949,767
Total Deferred Outflows of Resources	<u>\$1,156,019</u>	<u>\$5,899</u>	<u>\$3,862,518</u>	<u>\$5,024,436</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$0	\$1,119	\$254,103	\$255,222
Changes of assumptions	0	0	217,485	217,485
Changes in proportion and differences between City contributions and proportionate share of contributions	29,069	149	339,840	369,058
Total Deferred Inflows of Resources	<u>\$29,069</u>	<u>\$1,268</u>	<u>\$811,428</u>	<u>\$841,765</u>

\$949,767 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2024	\$90,817	\$112	\$295,836	\$386,765
2025	190,452	524	612,664	803,640
2026	232,321	724	627,092	860,137
2027	386,642	1,225	871,599	1,259,466
2028	0	(14)	(77,218)	(77,232)
Thereafter	0	128	0	128
Total	<u>\$900,232</u>	<u>\$2,699</u>	<u>\$2,329,973</u>	<u>\$3,232,904</u>

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***Actuarial Assumptions – OPERS***

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

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

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

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined



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benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

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

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
<b>City's proportionate share of the net pension liability (asset):</b>			
OPERS Traditional Plan	\$4,147,995	\$2,769,084	\$1,622,077
OPERS Combined Plan	(4,086)	(7,830)	(10,797)



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***Actuarial Assumptions – OP&F***

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

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

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

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

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

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

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

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

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

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

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

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022, are summarized below:

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

Note: Assumptions are geometric.

\* levered 2.5x

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

**Discount Rate** For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$14,713,287	\$11,153,250	\$8,193,789

## **Note 11 - Defined Benefit OPEB Plans**

See Note 10 for a description of the net OPEB liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$705 for 2023. Of this amount, \$73 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was \$17,364 for 2023. Of this amount, \$1,913 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.00898900%	0.11741460%	
Prior Measurement Date	0.00900200%	0.12301190%	
Change in Proportionate Share	<u>-0.00001300%</u>	<u>-0.00559730%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$56,677	\$835,958	\$892,635
OPEB Expense	(\$148,420)	\$81,179	(\$67,241)



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

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$49,884	\$49,884
Changes of assumptions	55,358	416,595	471,953
Net difference between projected and actual earnings on OPEB plan investments	112,563	71,700	184,263
Changes in proportion and differences between City contributions and proportionate share of contributions	0	84,462	84,462
City contributions subsequent to the measurement date	705	17,364	18,069
	<u>705</u>	<u>17,364</u>	<u>18,069</u>
Total Deferred Outflows of Resources	<u>\$168,626</u>	<u>\$640,005</u>	<u>\$808,631</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$14,138	\$164,835	\$178,973
Changes of assumptions	4,555	683,746	688,301
Changes in proportion and differences between City contributions and proportionate share of contributions	7,059	58,563	65,622
	<u>7,059</u>	<u>58,563</u>	<u>65,622</u>
Total Deferred Inflows of Resources	<u>\$25,752</u>	<u>\$907,144</u>	<u>\$932,896</u>

\$18,069 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 as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2024	\$11,528	\$396	\$11,924
2025	41,164	7,658	48,822
2026	35,101	(31,308)	3,793
2027	54,376	(15,617)	38,759
2028	0	(67,147)	(67,147)
Thereafter	0	(178,485)	(178,485)
	<u>0</u>	<u>(178,485)</u>	<u>(178,485)</u>
Total	<u>\$142,169</u>	<u>(\$284,503)</u>	<u>(\$142,334)</u>



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***Actuarial Assumptions - OPERS***

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

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

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

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

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

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

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

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

**Discount Rate** A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

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	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB Liability (Asset)	\$192,904	\$56,677	(\$55,732)

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB Liability	\$53,125	\$56,677	\$60,676

***Actuarial Assumptions – OP&F***

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

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

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

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

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	4.27 percent
Prior measurement date	2.84 percent
Cost of Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2036

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

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

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

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

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

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

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.27 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
City's proportionate share of the net OPEB liability	\$1,029,404	\$835,958	\$672,640

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## **Note 12 – Other Employee Benefits**

### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is not entitled to payment for any earned but unused vacation. Any active employee's unused vacation time remaining at year-end is forfeited. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Administrative employees can accumulate up to a maximum of 1,200 hours of sick leave. Police, dispatch and service employees can accumulate up to a maximum of 1,200 hours of sick leave. Fire department employees have a maximum sick leave accumulation of 1,440 hours. Upon retirement, employees are paid for all vacation and sick days they have accumulated.

### ***Health Care Benefits***

Medical/surgical and prescription insurance is offered to employees through CIGNA Open Access Plus. Vision and Dental insurance coverage is offered through Principal. Employee deductibles are covered by Gap Insurance through Morgan White Premium Saver.

For 2023 the cost per month for health care was as follows:

	<u>Employee Only</u>	<u>Employee Plus Spouse</u>	<u>Employee Plus Children</u>	<u>Family</u>
CIGNA Open Access Plus	\$653.35	\$1,436.07	\$1,102.86	\$2,016.91
Principal - Vision Plan	7.41	12.47	12.73	20.52
Principal Base - Dental	17.26	35.18	46.54	67.36
Principal Buy-Up - Dental	40.76	82.93	99.47	147.48

The employee payroll deduction for the CIGNA Open Access Plus, Principal Vision, Principal Base Dental and Principal Buy-Up Dental is 15 percent of the above figures for police, fire and union employees and 12 percent of the above figures for AFSCME union and non-union full-time employees.

### ***Life Insurance***

Life insurance is provided to full-time employees through Principal Financial. Full-time employees receive \$25,000 term life coverage. The City pays the total monthly premium.

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***Deferred Compensation***

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 456 and is considered an other employee benefit plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Note 13 - Long-term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Governmental Activities</b>			
<i>General Obligation Bonds:</i>			
Fire Truck - 2022	2.34%	\$1,025,000	2032
Salt Storage Facility - 2022	2.34%	615,000	2037
<i>Ohio Public Works Commission Loan from Direct Borrowing:</i>			
Rogers Road Slope Restoration - 2012	0.00%	50,000	2023
<i>Ohio Water Development Authority Loans from Direct Borrowings:</i>			
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
Woodlands Sanitary Sewers - 2006	3.25%	501,651	2027
Sewer Laterals - 2007	4.17%	140,985	2027
Euclid Creek Tributary Watershed Area C - 2006	3.25%	3,244,473	2032
<b>Business Type Activity</b>			
<i>Ohio Water Development Authority Loans from Direct Borrowings:</i>			
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
<i>Ohio Public Works Commission Loans from Direct Borrowings:</i>			
Euclid Interceptor - 2005	0.00%	500,000	2026
Euclid Sewer Phase II - 2006	0.00%	249,000	2027



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

	Outstanding 12/31/2022	Additions	Reductions	Outstanding 12/31/2023	Due Within One Year
<b>Governmental Type Activities</b>					
<b>General Obligation Bonds</b>					
Fire Truck	\$1,025,000	\$0	\$80,000	\$945,000	\$95,000
Salt Storage Facility	615,000	0	20,000	595,000	30,000
<i>Total General Obligation Bonds</i>	<u>1,640,000</u>	<u>0</u>	<u>100,000</u>	<u>1,540,000</u>	<u>125,000</u>
<b>OPWC Loan from Direct Borrowing</b>					
Rogers Road Slope Restoration	5,000	0	5,000	0	0
<b>OWDA Loans from Direct Borrowings paid with Assessments</b>					
Euclid Creek Interceptor	127,520	0	46,582	80,938	47,984
Euclid Creek Sewers	1,734,762	0	324,950	1,409,812	335,597
Woodlands Sanitary Sewers	157,152	0	29,437	127,715	30,401
Sewer Laterals	46,779	0	8,600	38,179	8,962
Euclid Creek Tributary Watershed Area C	1,735,131	0	158,645	1,576,486	163,843
<i>Total OWDA Loans</i>	<u>3,801,344</u>	<u>0</u>	<u>568,214</u>	<u>3,233,130</u>	<u>586,787</u>
<b>Other Long-term Obligations</b>					
Net Pension Liability:					
OPERS	752,086	1,850,855		2,602,941	0
OP&F	7,685,073	3,468,177	0	11,153,250	0
Total Net Pension Liability	<u>8,437,159</u>	<u>5,319,032</u>	<u>0</u>	<u>13,756,191</u>	<u>0</u>
Net OPEB Liability:					
OPERS	0	53,275	0	53,275	0
OP&F	1,348,315	0	512,357	835,958	0
Total Net OPEB Liability	<u>1,348,315</u>	<u>53,275</u>	<u>512,357</u>	<u>889,233</u>	<u>0</u>
Leases Payable	32,301	6,415	12,290	26,426	12,664
Compensated Absences	543,872	101,028	182,402	462,498	237,830
<i>Total Other Long-term Obligations</i>	<u>10,361,647</u>	<u>5,479,750</u>	<u>707,049</u>	<u>15,134,348</u>	<u>250,494</u>
<b>Total Governmental Type Activities</b>	<u>\$15,807,991</u>	<u>\$5,479,750</u>	<u>\$1,380,263</u>	<u>\$19,907,478</u>	<u>\$962,281</u>
<b>Business-Type Activity</b>					
<b>OWDA Loans from Direct Borrowings</b>					
Euclid Creek Interceptor	\$497,529	\$0	\$197,813	\$299,716	\$203,873
Euclid Creek Sewers	619,380	0	116,020	503,360	119,821
<i>Total OWDA Loans</i>	<u>1,116,909</u>	<u>0</u>	<u>313,833</u>	<u>803,076</u>	<u>323,694</u>
<b>OPWC Loans from Direct Borrowings</b>					
Euclid Interceptor	87,500	0	25,000	62,500	25,000
Euclid Sewer Phase II	56,025	0	12,450	43,575	12,450
<i>Total OPWC Loans</i>	<u>143,525</u>	<u>0</u>	<u>37,450</u>	<u>106,075</u>	<u>37,450</u>
<b>Other Long-term Obligations</b>					
Asset Retirement Obligation	20,000	0	0	20,000	0
Net Pension Liability - OPERS	48,003	118,140	0	166,143	0
Net OPEB Liability - OPERS	0	3,402	0	3,402	0
<i>Total Other Long-term Obligations</i>	<u>68,003</u>	<u>121,542</u>	<u>0</u>	<u>189,545</u>	<u>0</u>
<b>Total Business-Type Activity</b>	<u>\$1,328,437</u>	<u>\$121,542</u>	<u>\$351,283</u>	<u>\$1,098,696</u>	<u>\$361,144</u>



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**General Obligation Bonds** During 2022, the City issued \$1,640,000 in various purpose bonds with an interest rate of 2.34 percent. The bonds were issued for a ten and fifteen year period with a final maturity during 2032 and 2037. The proceeds were used for a fire truck and the construction of a salt storage facility. The bonds will be repaid from the bond retirement debt service fund. As of December 31, 2023, the City had unspent proceeds of \$163,663.

**OWDA Loans** Ohio Water Development Authority (OWDA) loans from direct borrowings consist of money owed to OWDA for sewer improvements. The OWDA loans for the Euclid Interceptor, Euclid Creek Sewers, Woodlands Sewers, Sewer Laterals and Euclid Creek Tributary Watershed Area C loans are paid from the general obligation bond retirement fund with special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OWDA loan for the City's portion of the Euclid Creek Interceptor and Euclid Creek Sewers is paid from the sewer enterprise fund with user charges.

The City's outstanding OWDA loans from direct borrowings of \$3,233,130 related to governmental activities and \$803,076 related to business-type activities contain a provision that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

**OPWC Loans** OPWC loans from direct borrowings consist of money owed to the Ohio Public Works Commission for the Rogers Road slope restoration and sewer improvements. The loans are interest free. OPWC loans will be paid from the road levy special revenue fund and the sewer enterprise fund.

The City's outstanding OPWC loans from direct borrowings of \$106,075 related to business-type activities contain a provision that in an event of default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, the OPWC may require that such payment be taken from the City's share of the City undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City has pledged future revenues to repay OWDA and OPWC loans in the sewer fund. The debt is payable solely from net revenues and is payable through 2027. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Total principal and interest remaining to be paid on finalized loans is \$943,487. Principal and interest paid for the current year and total net revenues were \$378,043 and \$463,395, respectively.

**Compensated Absences** Compensated absences will be paid from the general fund.

**Leases Payable** Leases payable will be paid from the general fund and the safety forces and street construction, maintenance and repair special revenue funds.

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

**Net Pension/OPEB Liability** There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, the court improvement, safety forces, fire levy, street construction, maintenance and repair,

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road levy, park maintenance special revenue funds and the sewer enterprise fund. For additional information related to the net pension and net OPEB liabilities see Notes 10 and 11.

The City's overall legal debt margin was \$32,602,393 with an unvoted debt margin of \$16,453,010 at December 31, 2023.

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

Governmental Activities:

Year	General Obligation Bonds		From Direct Borrowings	
	Principal	Interest	OWDA Loans	Interest
2024	\$125,000	\$36,036	\$586,787	\$96,596
2025	130,000	33,111	589,495	77,929
2026	135,000	30,069	574,863	59,393
2027	140,000	26,910	593,789	41,006
2028	140,000	23,634	186,394	25,259
2029-2033	640,000	68,094	701,802	42,787
2034-2037	230,000	13,689	0	0
Total	<u>\$1,540,000</u>	<u>\$231,543</u>	<u>\$3,233,130</u>	<u>\$342,970</u>

Business-Type Activity:

Year	From Direct Borrowings		
	OWDA Loans	Interest	OPWC Loans
	Principal	Interest	Principal
2024	\$323,694	\$18,075	\$37,450
2025	219,590	9,119	37,450
2026	127,801	5,053	24,950
2027	131,991	2,089	6,225
Total	<u>\$803,076</u>	<u>\$34,336</u>	<u>\$106,075</u>

The City has outstanding agreements to lease copiers. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2024	\$12,664	\$620
2025	12,085	235
2026	1,677	27
	<u>\$26,426</u>	<u>\$882</u>

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## **Note 14 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2023.

### ***Litigation***

The City of Willoughby Hills is a party to legal proceedings. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

## **Note 15 - Jointly Governed Organization**

### ***The Northeast Ohio Public Energy Council***

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 235 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Willoughby Hills did not contribute to NOPEC during 2022. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

### ***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2023, the City paid RITA \$249,900 for income tax collection services.

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**Note 16 – Encumbrances**

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

<i>Governmental Funds:</i>	
General	\$401,812
Safety Forces	422,373
Other Governmental Funds	893,555
<i>Business-Type Fund:</i>	
Sewer	420,340
Total	<u>\$2,138,080</u>

**Note 17 – Tax Abatement Disclosures**

As of December 31, 2023, the City of Willoughby Hills provides tax incentive through the State of Ohio's Community Reinvestment Area Program authorized by Section 3735 of the Ohio Revised Code.

***Real Estate Tax Abatements***

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area in 2006 which includes all land within the boundaries of the City of Willoughby Hills. The City of Willoughby Hills authorizes incentives through passage of public ordinances, based upon each business' investment criteria, and through a contractual application process with each business, including proof that the improvement has been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill by the Lake County Auditor.

The establishment of the Community Reinvestment Area gives the City the ability to maintain and expand businesses located in Willoughby Hills and create new jobs by abating or reducing assessed valuation of properties. This results in additional tax revenue for the City and the School District compared to the amount paid by property before being improved while abating a portion of the property taxes which result from the new and/or improved business real estate. The City of Willoughby Hills also will contract with the Willoughby-Eastlake City School District when required by Section 5709.82 of the Ohio Revised Code for payments in lieu of taxes. To date, the City has not been required to enter into any revenue sharing agreements with the School District.

***City Council's incentive criteria for decision making***

The City of Willoughby Hills has offered CRA abatements to three businesses based upon substantial project investment into the City. Below is the information relevant to the disclosure of those programs for the year ended December 31, 2023.

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Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for the year 2023 (In Actual Dollars)
<i>Community Reinvestment Area (CRA)</i>	
- Retail	\$255
- Veterinarian Rehabilitation Facility	1,628
- Senior Congregate Care	6,478

## **Note 18 – Public Entity Risk Pool**

### ***Risk Sharing Authority***

### ***Property and Liability***

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. Sedgwick functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by Sedgwick. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

### ***Casualty and Property Coverage***

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2022 (the latest information available), the Pool retained \$500,000 for casualty claims and \$250,000 for property claims. The Board of Directors and Sedgwick periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

### ***Financial Position***

PEP's financial statements conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2022 (the latest information available):

Casualty and Property Coverage	2022
Assets	\$61,537,313
Liabilities	18,643,081
Net Position - Unrestricted	<u>\$42,894,232</u>

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At December 31, 2022 (the latest information available), the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position in the preceding table include approximately \$14.4 million of unpaid claims to be billed to approximately 608 member governments in the future, as of December 31, 2022. These amounts will be included in future contributions from members when the related claims are due for payment.

As indicated by PEP, the rates PEP charges to compute member contributions, which are used to pay claims as they become due, are expected to increase from those used to determine the historical contributions detailed as follows. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

The City's contributions for the past three years are as follows:

Year	Contributions to PEP
2023	\$108,148
2022	97,521
2021	86,335

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

#### **Note 19 – Asset Retirement Obligations**

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$20,000 associated with the City waste water treatment facilities was estimated by the City engineer. The remaining useful life of these facilities is 44 years.

#### **Note 20 – COVID-19**

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

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

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**Note 21 – Deficit Funds**

At December 31, 2023, the FEMA special revenue fund had a deficit fund balances of \$2,463. This deficit was the result of short-term interfund loans and the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 22 – Changes in Accounting Principle**

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

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

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The City did not have any contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

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

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

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

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## Required Supplementary Information

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

	2023	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.00937400%	0.00919600%	0.01001500%	0.01113500%	0.01036700%
City's Proportionate Share of the Net Pension Liability	\$2,769,084	\$800,089	\$1,483,004	\$2,200,908	\$2,839,311
City's Covered Payroll	\$1,453,071	\$1,337,214	\$1,410,079	\$1,419,907	\$1,540,686
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.57%	59.83%	105.17%	155.00%	184.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%	74.70%

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.01339100%	0.01447000%	0.01414600%	0.01445400%	0.01445400%
\$2,100,788	\$3,285,891	\$2,450,266	\$1,743,290	\$1,703,915
\$1,775,877	\$1,870,633	\$1,760,608	\$1,772,050	\$1,857,679
118.30%	175.66%	139.17%	98.38%	91.72%
84.66%	77.25%	81.08%	86.45%	86.36%

**City of Willoughby Hills, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Asset*  
*Ohio Public Employees Retirement System - Combined Plan*  
*Last Six Years (1)*

	2023	2022	2021	2020
City's Proportion of the Net Pension Asset	0.00332200%	0.00330500%	0.00328000%	0.00334900%
City's Proportionate Share of the Net Pension Asset	\$7,830	\$13,022	\$9,469	\$6,984
City's Covered Payroll	\$15,421	\$15,064	\$14,664	\$14,907
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-50.77%	-86.44%	-64.57%	-46.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.14%	169.88%	157.67%	145.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information.

2019	2018
0.00324400%	0.00331500%
\$3,627	\$4,512
\$13,879	\$13,577
-26.13%	-33.23%
126.64%	137.28%

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

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability/Asset	0.00898900%	0.00900200%	0.01022000%	0.01126400%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$56,677	(\$281,957)	(\$182,076)	\$1,555,851
City's Covered Payroll	\$1,496,092	\$1,407,028	\$1,544,493	\$1,501,514
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	3.79%	-20.04%	-11.79%	103.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	128.23%	115.57%	47.80%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.01008900%	0.01300000%	0.01406000%
\$1,315,367	\$1,411,704	\$1,420,108
\$1,646,365	\$1,848,504	\$1,942,508
79.90%	76.37%	73.11%
46.33%	54.14%	54.04%

**City of Willoughby Hills, 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*

	2023	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.11741460%	0.12301190%	0.12039540%	0.11341920%	0.11452100%
City's Proportionate Share of the Net Pension Liability	\$11,153,250	\$7,685,073	\$8,207,462	\$7,640,523	\$9,347,939
City's Covered Payroll	\$3,225,804	\$3,172,454	\$3,109,300	\$2,663,074	\$2,687,082
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	345.75%	242.24%	263.96%	286.91%	347.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.90%	75.03%	70.65%	69.89%	63.07%

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

See accompanying notes to the required supplementary information.



2018	2017	2016	2015	2014
0.11226500%	0.11296500%	0.10940900%	0.10817300%	0.10817300%
\$6,890,210	\$7,155,090	\$7,038,359	\$5,603,803	\$5,268,355
\$2,488,142	\$2,374,764	\$2,269,951	\$2,200,222	\$2,126,908
276.92%	301.30%	310.07%	254.69%	247.70%
70.91%	68.36%	66.77%	71.71%	73.00%

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

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.11741460%	0.12301190%	0.12039540%	0.11341920%
City's Proportionate Share of the Net OPEB Liability	\$835,958	\$1,348,315	\$1,275,609	\$1,120,323
City's Covered Payroll	\$3,225,804	\$3,172,454	\$3,109,300	\$2,663,074
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	25.91%	42.50%	41.03%	42.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.59%	46.86%	45.42%	47.08%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.11452100%	0.11226500%	0.11296500%
\$1,042,889	\$6,360,779	\$5,362,195
\$2,687,082	\$2,488,142	\$2,374,764
38.81%	255.64%	225.80%
46.57%	14.13%	15.96%

**City of Willoughby Hills, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	2023	2022	2021	2020	2019
<b>Net Pension Liability - Traditional Plan</b>					
Contractually Required Contribution	\$226,718	\$203,430	\$187,210	\$197,411	\$198,787
Contributions in Relation to the Contractually Required Contribution	(226,718)	(203,430)	(187,210)	(197,411)	(198,787)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,619,414	\$1,453,071	\$1,337,214	\$1,410,079	\$1,419,907
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Liability - Combined Plan</b>					
Contractually Required Contribution	\$1,932	\$2,159	\$2,109	\$2,053	\$2,087
Contributions in Relation to the Contractually Required Contribution	(1,932)	(2,159)	(2,109)	(2,053)	(2,087)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$16,100	\$15,421	\$15,064	\$14,664	\$14,907
Pension Contributions as a Percentage of Covered Payroll	<u>12.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (1)</b>					
Contractually Required Contribution	\$705	\$1,104	\$2,190	\$4,790	\$2,668
Contributions in Relation to the Contractually Required Contribution	(705)	(1,104)	(2,190)	(4,790)	(2,668)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$1,647,227	\$1,496,092	\$1,407,028	\$1,544,493	\$1,501,514
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>0.07%</u>	<u>0.16%</u>	<u>0.31%</u>	<u>0.18%</u>

(1) Information prior to 2016 is not available for the OPEB plan.

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
\$215,696	\$230,864	\$224,476	\$211,273	\$212,646
(215,696)	(230,864)	(224,476)	(211,273)	(212,646)
\$0	\$0	\$0	\$0	\$0
\$1,540,686	\$1,775,877	\$1,870,633	\$1,760,608	\$1,772,050
14.00%	13.00%	12.00%	12.00%	12.00%
\$1,943	\$1,765	\$1,593	\$1,430	\$812
(1,943)	(1,765)	(1,593)	(1,430)	(812)
\$0	\$0	\$0	\$0	\$0
\$13,879	\$13,577	\$13,275	\$11,917	\$6,767
14.00%	13.00%	12.00%	12.00%	12.00%
\$3,672	\$20,257	\$40,022		
(3,672)	(20,257)	(40,022)		
\$0	\$0	\$0		
\$1,646,365	\$1,848,504	\$1,942,508		
0.22%	1.10%	2.06%		

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

	2023	2022	2021	2020	2019
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$721,117	\$675,075	\$663,516	\$644,874	\$549,369
Contributions in Relation to the Contractually Required Contribution	(721,117)	(675,075)	(663,516)	(644,874)	(549,369)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$3,472,779	\$3,225,804	\$3,172,454	\$3,109,300	\$2,663,074
Pension Contributions as a Percentage of Covered Payroll	<u>20.76%</u>	<u>20.93%</u>	<u>20.91%</u>	<u>20.74%</u>	<u>20.63%</u>
<b>Net OPEB Liability</b>					
Contractually Required Contribution	\$17,364	\$16,129	\$15,862	\$15,547	\$13,316
Contributions in Relation to the Contractually Required Contribution	(17,364)	(16,129)	(15,862)	(15,547)	(13,316)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.26%</u>	<u>21.43%</u>	<u>21.41%</u>	<u>21.24%</u>	<u>21.13%</u>

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
\$551,654	\$511,058	\$491,025	\$468,382	\$452,696
(551,654)	(511,058)	(491,025)	(468,382)	(452,696)
\$0	\$0	\$0	\$0	\$0
\$2,687,082	\$2,488,142	\$2,374,764	\$2,269,951	\$2,200,222
20.53%	20.54%	20.68%	20.63%	20.58%
\$13,436	\$12,441	\$11,873	\$11,349	\$11,001
(13,436)	(12,441)	(11,873)	(11,349)	(11,001)
\$0	\$0	\$0	\$0	\$0
0.50%	0.50%	0.50%	0.50%	0.50%
21.03%	21.04%	21.18%	21.13%	21.08%

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

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

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

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

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

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

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

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



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

disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

	2022	2019 through 2021	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**Changes in Assumptions – OPERS OPEB**

Wage Inflation:	
2023 and 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2023 and 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

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

Blended Discount Rate:	
2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

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

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

**Changes in Benefit Terms – OPERS OPEB**

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

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

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

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**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***

To the City Council  
City of Willoughby Hills  
Lake County, Ohio  
35405 Chardon Road  
Willoughby Hills, Ohio 44094

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Willoughby Hills, Lake County, Ohio (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

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

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

### **Purpose of this Report**

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

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Medina, Ohio  
June 27, 2025

CITY OF WILLOUGHBY HILLS  
LAKE COUNTY, OHIO

*REGULAR AUDIT*

FOR THE YEAR ENDED  
DECEMBER 31, 2024



**City of Willoughby Hills**

**Lake County, Ohio**

*December 31, 2024*

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**Lake County, Ohio**  
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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Willoughby Hills  
Lake County, Ohio  
35405 Chardon Road  
Willoughby Hills, Ohio 44094

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willoughby Hills, Lake County, Ohio (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2024, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and safety forces 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Pension and other Post-Employment Benefit Schedules* 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025 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.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Medina, Ohio  
June 27, 2025

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**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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The discussion and analysis of the City of Willoughby Hills' (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- The City's overall financial position increased in 2024. Net position for governmental activities increased mainly as a result of the increase in charges for services program revenue from a new revenue stream from photo enforcement camera tickets. Net position for business-type activity grew with an increase in charges for services revenues as the City passed along a rate increase due to Euclid Sewer District's raised processing fees; there was also a related uptick in contractual services expense.
- In 2024, capital asset additions consisted of construction in progress, land improvements, building improvements, various machinery and equipment, and sewer machinery and equipment and infrastructure. Some of the most significant items included the HVAC replacement for police, completion of the police parking/storage structure project, completion of a fire truck, and road and sewer improvements.
- The City's long-term debt obligations consist of general obligation bonds, OWDA loans, OPWC Loans, a financed purchase, leases payable, and subscriptions payable.

***Using This Annual Financial Report***

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those 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 also look at the City's most significant funds with all other non-major funds presented in total in one column.

***The City of Willoughby Hills as a Whole***

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2024?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The *statement of net position* presents information on all of the City of Willoughby Hills' assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between all the elements reported as *net position*. Over time, increases or decreases in net position may serve as a useful

**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
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indicator of whether the financial position of the City of Willoughby Hills is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax valuation and the condition of the City's assets.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property (police and fire), leisure time activities, community environment and transportation. The only business-type activity is the sewer operation.

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

**Fund Financial Statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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.

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, safety forces fund and the general obligation bond retirement fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

**Proprietary Funds** The City's only proprietary fund is the sewer system. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
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**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary fund is a custodial fund.

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

***The City as a Whole***

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2024 compared to 2023.

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activity		Total*	
	2024	2023	2024	2023	2024	2023
<b>Assets</b>						
Current and Other Assets	\$24,994,248	\$22,007,813	\$1,855,934	\$1,855,567	\$26,850,182	\$23,863,380
Noncurrent Assets:						
Net Pension Asset	9,957	7,360	819	470	10,776	7,830
Net OPEB Asset	77,815	0	6,399	0	84,214	0
Capital Assets, Net	19,756,076	19,188,268	16,172,808	16,450,924	35,928,884	35,639,192
<i>Total Assets</i>	<u>44,838,096</u>	<u>41,203,441</u>	<u>18,035,960</u>	<u>18,306,961</u>	<u>62,874,056</u>	<u>59,510,402</u>
<b>Deferred Outflows of Resources</b>						
Pension	4,266,246	4,954,733	83,214	69,738	4,349,432	5,024,436
OPEB	564,520	798,514	5,672	10,117	570,192	808,631
Asset Retirement Obligation	0	0	17,200	17,600	17,200	17,600
<i>Total Deferred Outflows of Resources</i>	<u>4,830,766</u>	<u>5,753,247</u>	<u>106,086</u>	<u>97,455</u>	<u>4,936,824</u>	<u>5,850,667</u>
<b>Liabilities</b>						
Current Liabilities	1,470,845	1,660,959	389,765	332,044	1,860,610	1,993,003
Long-Term Liabilities						
Due Within One Year	1,041,862	962,281	270,628	361,144	1,312,490	1,323,425
Due in More Than One Year						
Net Pension Liability	13,875,967	13,756,191	195,748	166,143	14,071,715	13,922,334
Net OPEB Liability	868,783	889,233	0	3,402	868,783	892,635
Other Amounts	4,324,751	4,299,773	337,572	568,007	4,662,323	4,867,780
<i>Total Liabilities</i>	<u>21,582,208</u>	<u>21,568,437</u>	<u>1,193,713</u>	<u>1,430,740</u>	<u>22,775,921</u>	<u>22,999,177</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	2,169,680	1,839,537	0	0	2,169,680	1,839,537
Leases	1,921,989	1,174,289	0	0	1,921,989	1,174,289
Pension	562,806	839,881	352	1,919	563,130	841,765
OPEB	810,564	931,350	4,727	1,546	815,291	932,896
<i>Total Deferred Inflows of Resources</i>	<u>5,465,039</u>	<u>4,785,057</u>	<u>5,079</u>	<u>3,465</u>	<u>5,470,090</u>	<u>4,788,487</u>
<b>Net Position</b>						
Net Investment in Capital Assets	18,343,948	17,785,505	15,624,801	15,541,773	33,968,749	33,327,278
Restricted for:						
Capital Projects	511,225	289,715	0	0	511,225	289,715
Debt Service	279,162	295,162	0	0	279,162	295,162
Pension and OPEB Plans	87,772	7,360	7,218	470	94,990	7,830
Other Purposes	6,638,680	5,536,311	0	0	6,638,680	5,536,311
Unrestricted (Deficit)	<u>(3,239,172)</u>	<u>(3,310,859)</u>	<u>1,311,235</u>	<u>1,427,968</u>	<u>(1,927,937)</u>	<u>(1,882,891)</u>
<i>Total Net Position</i>	<u>\$22,621,615</u>	<u>\$20,603,194</u>	<u>\$16,943,254</u>	<u>\$16,970,211</u>	<u>\$39,564,869</u>	<u>\$37,573,405</u>

\*Amounts presented in Table 1 are after deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated.



**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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***New Accounting Pronouncements***

For 2024, the City implemented GASB Statement No. 101 *Compensated Absences*. The City also implemented GASB Statement No. 100 *Accounting Changes and Error Corrections*, which does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The implementation of GASB 101 resulted in recognizing additional compensated absences liabilities of \$632,492 in governmental activities and \$38,231 in business-type activities at January 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense. (See Note 3.)

***Governmental and Business-Type Activities***

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2024. 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 pension 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.

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

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 (asset) and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

For the City, total net position for governmental activities increased due mainly to increases in cash and cash equivalents as a result of cash receipts outpacing cash disbursements by about \$2.1 million from careful management of resources, timing of expenses, and the influx of new revenue. Capital assets increased due to significant current year additions exceeding annual depreciation and current year deletions.

**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

The increase in total net position for business-type activities was mainly attributable to a decrease in long-term liabilities as the City continued to pay down debt. See the prior explanation of new accounting pronouncements for the change in the compensated absences liability related to GASB 101. Cash and cash equivalents went down due to continued principal and interest payments and increased payments for the acquisition of capital assets. Capital assets decreased as a result of annual depreciation outpacing current year additions.

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

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

	Governmental Activities		Business-Type Activity		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$5,431,944	\$1,923,967	\$2,369,502	\$1,946,513	\$7,801,446	\$3,870,480
Operating Grants and Contributions	1,282,710	1,161,964	0	0	1,282,710	1,161,964
Capital Grants and Assessments	160,789	144,419	32,599	39,463	193,388	183,882
Total Program Revenues	6,875,443	3,230,350	2,402,101	1,985,976	9,277,544	5,216,326
General Revenues						
Property Taxes	1,965,354	1,950,548	0	0	1,965,354	1,950,548
Income Taxes	7,260,004	7,628,082	0	0	7,260,004	7,628,082
Admission and Hotel Taxes	36,460	36,763	0	0	36,460	36,763
Permissive Taxes	44,684	50,869	0	0	44,684	50,869
Grants and Entitlements	723,556	708,112	0	0	723,556	708,112
Franchise Taxes	101,575	93,252	0	0	101,575	93,252
Investment Earnings/Interest	467,460	320,247	46,871	38,588	514,331	358,835
Gain on Sale of Capital Assets	122,546	0	0	0	122,546	0
Unrestricted Contributions	21,959	13,058	0	0	21,959	13,058
Other	331,845	227,128	220	1,275	332,065	228,403
Total General Revenues	11,075,443	11,028,059	47,091	39,863	11,122,534	11,067,922
<i>Total Revenues</i>	<i>17,950,886</i>	<i>14,258,409</i>	<i>2,449,192</i>	<i>2,025,839</i>	<i>20,400,078</i>	<i>16,284,248</i>
<b>Program Expenses</b>						
General Government	2,247,519	2,393,011	0	0	2,247,519	2,393,011
Security of Persons and Property						
Police - Primary Government	6,275,040	4,518,656	0	0	6,275,040	4,518,656
Police - Intergovernmental	325,858	0	0	0	325,858	0
Fire	3,712,005	3,575,188	0	0	3,712,005	3,575,188
Transportation	2,123,728	2,380,348	0	0	2,123,728	2,380,348
Community Environment	150,047	144,932	0	0	150,047	144,932
Leisure Time Activities	340,429	315,776	0	0	340,429	315,776
Interest	125,347	144,979	0	0	125,347	144,979
Sewer	0	0	2,437,918	2,161,616	2,437,918	2,161,616
Total Program Expenses	15,299,973	13,472,890	2,437,918	2,161,616	17,737,891	15,634,506
Change in Net Position	2,650,913	785,519	11,274	(135,777)	2,662,187	649,742
<i>Net Position Beginning of Year as Previously Reported</i>	<i>20,603,194</i>	<i>19,817,675</i>	<i>16,970,211</i>	<i>17,105,988</i>	<i>37,573,405</i>	<i>36,923,663</i>
Restatement - Change in Accounting Principle	(632,492)	0	(38,231)	0	(670,723)	0
<i>Restated Net Position Beginning of Year</i>	<i>19,970,702</i>	<i>19,817,675</i>	<i>16,931,980</i>	<i>17,105,988</i>	<i>36,902,682</i>	<i>36,923,663</i>
<i>Net Position End of Year</i>	<i>\$22,621,615</i>	<i>\$20,603,194</i>	<i>\$16,943,254</i>	<i>\$16,970,211</i>	<i>\$39,564,869</i>	<i>\$37,573,405</i>

**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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***New Accounting Pronouncements***

The previous table separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, Compensated Absences. GASB Statement No. 100, Accounting Changes and Error Corrections does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2023 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, Compensated Absences. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 3.)

***Governmental Activities***

For governmental activities, there was a significant increase in charges for services program due to an increase in fines related to hand held photo enforcement speed cameras. This was a new revenue stream for the City, generating over \$3.9 million of gross revenue in 2024. The general revenues maintained fairly consistent earnings between 2024 and 2023. Several sources fund the City's governmental activities with the municipal income tax being the largest component. The City has a current municipal income tax rate of two percent. In November 2010, the voters approved a one-half percent increase to the City's income tax rate. Effective January 1, 2011, the City has matched its other adjacent Lake County cities with an income tax rate of two percent. The additional one-half percent increase was solely used to support the City's safety forces. The City allows a resident who works outside of the City a tax credit for income tax paid to the resident's workplace community. This credit is equal to the workplace community's tax rate up to a workplace tax rate of 1.5 percent. A resident's income tax liability is equal to 2 percent of the resident's annual earned income minus the lesser of the resident's workplace community's income tax rate or 1.5 percent. Property tax collections are one of the next largest sources of general revenue for governmental activities. The City collects 3 mills of inside millage and 4.3 mills of outside millage. The outside millage is generated from a 1.8 mill perpetual levy for fire and EMS services and a 2.5 mill road levy. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services.

Overall, the largest expenses for the City are in the police and fire departments. The City, in conjunction with the Federal Drug Enforcement Agency, vigorously enforces drug laws. They have made several large drug busts and confiscated large quantities of illegal substances. The City places confiscated funds in two special revenue funds. The use of these confiscated funds is governed by Ohio Revised Code Section 2981.13 and the police department control policy. In 2024, police expenses increased significantly primarily due to the service contract for the collection of photo enforcement camera tickets, totaling almost \$1.4 million in 2024, and due to increases in salaries and benefits related to contractual union wage increases.

The City's fire department is staffed by approximately 30 full-time and part-time firefighters. All firefighters are encouraged to obtain an Ohio paramedic license. In the late 1990's, the City began charging for ambulance rides. Proceeds of the ambulance billings are pledged by ordinance to finance the acquisition of fire department equipment and improvements to fire department's facilities.

***Business-Type Activity***

The City's business-type activity is composed of one enterprise fund, which is the City's sanitary sewer system. The largest source of revenue for the sewer fund is charges for services, which grew in 2024 due to increased rates charged by the Euclid Sewer District processing fees. On the expense side, the largest expense was for contractual services resulting from the increased processing rates paid to Euclid. Despite sewer expenses also increasing, specifically for contractual services, the increase in revenues resulted in an increase in net position.

**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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***Governmental Funds***

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information begins with the balance sheet and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, safety forces special revenue fund and the general obligation bond retirement debt service fund. The general fund saw an increase in fund balance during the year primarily due to a decrease in general government expenditures, despite a decrease in revenues, mainly municipal income taxes, and an increase in transfers out. The safety forces fund saw a significant increase in fund balance due to a new revenue stream from hand-held photo enforcement camera tickets in 2024, despite an increase in police service expenditures for the related service contract. The general obligation bond retirement fund saw a slight increase in fund balance resulting from a decrease in interest expenditures. The small increase in revenues was largely offset by a reduction in transfers in for the general obligation bond retirement fund.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City operates with a legal level of control at the object level within each department for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. The general fund's actual revenue came in under the final budget amount due in large to lower than anticipated income tax collections due to post-COVID changes to residents working from home. Actual expenditures were under the final budget mainly due to a concerted effort by management to hold expenditures within the budget and to save where it was possible.

***Capital Assets***

For 2024, the primary additions for governmental activities consisted of construction in progress, building improvements, various equipment, vehicles and major road and infrastructure improvements. Business-type additions included vehicles and equipment and infrastructure updates. Additional information concerning the City's capital assets can be found in Note 9, to the basic financial statements.

***Long-Term Obligations***

The general obligation bonds were issued for the salt storage facility expansion project and for a new fire truck. The OWDA loans outstanding are for sanitary sewer improvements. The principal and interest for the OWDA loans are retired primarily with assessments levied against property owners of the City based on the benefit to the respective parties. Assessments are collected by the Lake County Auditor and will be received through 2032. The financed purchase is for police tasers; the leases payable are for copiers; and subscriptions payable are for software related to speed cameras. Business-type debt includes OPWC loans and OWDA loans outstanding for infrastructure improvement projects, which are repaid using sewer revenues and with assessments levied against property owners of the City based on the benefit to the respective parties. Additional information concerning debt issuances can be found in Note 14 to the basic financial statements.

**City of Willoughby Hills, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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**Current Related Financial Activities**

The City maintains a careful watch over its financial operations. This should help the City continue to remain financially strong. In addition, the City is working on strengthening its internal control system and improving its budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the citizens of Willoughby Hills with full disclosure of the financial position of the City and provides updated detailed financial statements monthly on the City's website.

**Contacting the City of Willoughby Hills' Financial Management**

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Willoughby Hills, 35405 Chardon Road, Willoughby Hills, Ohio 44094-9103. Phone: (440) 946-1234, Fax: (440) 975-3533 or email [finance@willoughbyhills-oh.gov](mailto:finance@willoughbyhills-oh.gov).

**City of Willoughby Hills, Ohio**

*Statement of Net Position*

*December 31, 2024*

	Governmental Activities	Business-Type Activity	Total *
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$14,282,441	\$1,220,420	\$15,502,861
Materials and Supplies Inventory	125,137	0	125,137
Accounts Receivable	646,018	0	646,018
Permissive Taxes Receivable	3,459	0	3,459
Intergovernmental Receivable	819,538	616,996	1,436,534
Prepaid Items	74,072	18,518	92,590
Municipal Income Taxes Receivable	2,308,648	0	2,308,648
Property Taxes Receivable	2,187,694	0	2,187,694
Leases Receivable	1,921,989	0	1,921,989
Special Assessments Receivable	2,625,252	0	2,625,252
Net Pension Asset (See Note 11)	9,957	819	10,776
Net OPEB Asset (See Note 12)	77,815	6,399	84,214
Nondepreciable Capital Assets	1,014,847	268,613	1,283,460
Depreciable Capital Assets, Net	18,741,229	15,904,195	34,645,424
<i>Total Assets</i>	<u>44,838,096</u>	<u>18,035,960</u>	<u>62,874,056</u>
<b>Deferred Outflows of Resources</b>			
Pension	4,266,246	83,214	4,349,432
OPEB	564,520	5,672	570,192
Asset Retirement Obligation	0	17,200	17,200
<i>Total Deferred Outflows of Resources</i>	<u>4,830,766</u>	<u>106,086</u>	<u>4,936,824</u>
<b>Liabilities</b>			
Accounts Payable	398,506	2,896	401,402
Deposits Held Payable	302,977	0	302,977
Accrued Wages	172,916	3,822	176,738
Accrued Vacation Leave Payable	147,304	5,267	152,571
Accrued Interest Payable	43,966	5,825	49,791
Intergovernmental Payable	154,903	371,955	526,858
Unearned Revenue	250,273	0	250,273
Long-Term Liabilities:			
Due Within One Year	1,041,862	270,628	1,312,490
Due in More Than One Year:			
Net Pension Liability (See Note 11)	13,875,967	195,748	14,071,715
Net OPEB Liability (See Note 12)	868,783	0	868,783
Other Amounts	4,324,751	337,572	4,662,323
<i>Total Liabilities</i>	<u>21,582,208</u>	<u>1,193,713</u>	<u>22,775,921</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	2,169,680	0	2,169,680
Leases	1,921,989	0	1,921,989
Pension	562,806	352	563,130
OPEB	810,564	4,727	815,291
<i>Total Deferred Inflows of Resources</i>	<u>5,465,039</u>	<u>5,079</u>	<u>5,470,090</u>
<b>Net Position</b>			
Net Investment in Capital Assets	18,343,948	15,624,801	33,968,749
Restricted for:			
Capital Projects	511,225	0	511,225
Debt Service	279,162	0	279,162
Pension and OPEB Plans	87,772	7,218	94,990
Other Purposes	6,638,680	0	6,638,680
Unrestricted (Deficit)	(3,239,172)	1,311,235	(1,927,937)
<i>Total Net Position</i>	<u>\$22,621,615</u>	<u>\$16,943,254</u>	<u>\$39,564,869</u>

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

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2024

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Assessments
<b>Governmental Activities:</b>				
General Government	\$2,247,519	\$576,449	\$26,212	\$41,142
Security of Persons and Property				
Police - Primary Government	6,275,040	4,015,674	474,353	0
Police - Intergovernmental	325,858	0	0	0
Fire	3,712,005	488,823	70,565	0
Transportation	2,123,728	230,201	707,165	119,647
Community Environment	150,047	37,417	4,415	0
Leisure Time Activities	340,429	83,380	0	0
Interest	125,347	0	0	0
<i>Total Governmental Activities</i>	15,299,973	5,431,944	1,282,710	160,789
<b>Business-Type Activity:</b>				
Sewer	2,437,918	2,369,502	0	32,599
<i>Total</i>	<u>\$17,737,891</u>	<u>\$7,801,446</u>	<u>\$1,282,710</u>	<u>\$193,388</u>

**General Revenues**

Property Taxes Levied for:

    General Purposes

    Police Pension

    Fire Levy

    Road Levy

Municipal Income Tax Levied for:

    General Purposes

    Safety Forces

Admission and Hotel Taxes

Permissive Taxes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Investment Earnings/Interest

Gain on Sale of Capital Assets

Unrestricted Contributions

Other

*Total General Revenues*

*Change in Net Position*

*Net Position Beginning of Year as Previously Reported*

Change in Accounting Principle (See Note 3)

*Restated Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activity	Total
(\$1,603,716)	\$0	(\$1,603,716)
(1,785,013)	0	(1,785,013)
(325,858)	0	(325,858)
(3,152,617)	0	(3,152,617)
(1,066,715)	0	(1,066,715)
(108,215)	0	(108,215)
(257,049)	0	(257,049)
(125,347)	0	(125,347)
(8,424,530)	0	(8,424,530)
0	(35,817)	(35,817)
(8,424,530)	(35,817)	(8,460,347)
781,965	0	781,965
86,375	0	86,375
521,310	0	521,310
575,704	0	575,704
5,662,148	0	5,662,148
1,597,856	0	1,597,856
36,460	0	36,460
44,684	0	44,684
723,556	0	723,556
101,575	0	101,575
467,460	46,871	514,331
122,546	0	122,546
21,959	0	21,959
331,845	220	332,065
11,075,443	47,091	11,122,534
2,650,913	11,274	2,662,187
20,603,194	16,970,211	37,573,405
(632,492)	(38,231)	(670,723)
19,970,702	16,931,980	36,902,682
\$22,621,615	\$16,943,254	\$39,564,869



**City of Willoughby Hills, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2024*

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$5,241,520	\$3,900,386	\$230,677	\$4,575,380	\$13,947,963
Materials and Supplies Inventory	5,742	34,612	0	84,783	125,137
Accounts Receivable	24,824	324,159	0	297,035	646,018
Interfund Receivable	0	0	0	70,444	70,444
Permissive Taxes Receivable	0	0	0	3,459	3,459
Intergovernmental Receivable	343,585	93,969	16,228	365,756	819,538
Prepaid Items	74,072	0	0	0	74,072
Leases Receivable	1,600,211	0	0	321,778	1,921,989
Municipal Income Taxes Receivable	1,795,457	513,191	0	0	2,308,648
Property Taxes Receivable	922,944	0	0	1,264,750	2,187,694
Special Assessments Receivable	0	0	2,625,252	0	2,625,252
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	334,478	0	0	0	334,478
<i>Total Assets</i>	<u>\$10,342,833</u>	<u>\$4,866,317</u>	<u>\$2,872,157</u>	<u>\$6,983,385</u>	<u>\$25,064,692</u>
<b>Liabilities</b>					
Accounts Payable	\$42,619	\$306,140	\$0	\$49,747	\$398,506
Deposits Held Payable from Restricted Assets	302,977	0	0	0	302,977
Accrued Wages	31,249	113,617	0	28,050	172,916
Intergovernmental Payable	49,419	98,274	0	7,210	154,903
Interfund Payable	0	0	0	70,444	70,444
Unearned Revenue	0	0	0	250,273	250,273
<i>Total Liabilities</i>	<u>426,264</u>	<u>518,031</u>	<u>0</u>	<u>405,724</u>	<u>1,350,019</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	915,389	0	0	1,254,291	2,169,680
Leases	1,600,211	0	0	321,778	1,921,989
Unavailable Revenue	1,643,949	378,017	2,641,480	583,129	5,246,575
<i>Total Deferred Inflows of Resources</i>	<u>4,159,549</u>	<u>378,017</u>	<u>2,641,480</u>	<u>2,159,198</u>	<u>9,338,244</u>
<b>Fund Balances</b>					
Nonspendable	111,315	34,612	0	84,783	230,710
Restricted	0	3,935,657	230,677	3,315,328	7,481,662
Committed	60,425	0	0	1,018,352	1,078,777
Assigned	480,900	0	0	0	480,900
Unassigned	5,104,380	0	0	0	5,104,380
<i>Total Fund Balances</i>	<u>5,757,020</u>	<u>3,970,269</u>	<u>230,677</u>	<u>4,418,463</u>	<u>14,376,429</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$10,342,833</u>	<u>\$4,866,317</u>	<u>\$2,872,157</u>	<u>\$6,983,385</u>	<u>\$25,064,692</u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2024*

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<b>Total Governmental Funds Balances</b>	<b>\$14,376,429</b>
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*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.	19,756,076
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Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent Property Taxes	18,014	
Income Taxes	1,693,401	
Charges for Services	158,464	
Fines, Forfeitures and Settlements	96,579	
Intergovernmental	629,273	
Special Assessments	2,625,252	
Rentals	400	
Franchise Taxes	17,820	
Miscellaneous Revenue	7,372	
<b>Total</b>		<b>5,246,575</b>

In the statement of activities, interest is accrued on outstanding liabilities, whereas in governmental funds, an interest expenditure is reported when due.	(43,966)
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Accrued vacation leave payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(147,304)
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The net pension asset (liability) and the net OPEB asset (liability) are not due and payable in the current period; therefore, the asset (liability) and related deferred outflows/inflows are not reported in governmental funds.

Net Pension Asset	9,957	
Deferred Outflows - Pension	4,266,246	
Net Pension Liability	(13,875,967)	
Deferred Inflows - Pension	(562,806)	
Net OPEB Asset	77,815	
Deferred Outflows - OPEB	564,520	
Net OPEB Liability	(868,783)	
Deferred Inflows - OPEB	(810,564)	
<b>Total</b>		<b>(11,199,582)</b>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(1,415,000)	
OWDA Loans Payable	(2,646,343)	
Financed Purchase	(59,732)	
Leases Payable	(13,761)	
Subscriptions Payable	(57,298)	
Compensated Absences	(1,174,479)	
<b>Total</b>		<b>(5,366,613)</b>

<i>Net Position of Governmental Activities</i>	<u><u>\$22,621,615</u></u>
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See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2024*

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$783,090	\$0	\$0	\$1,186,580	\$1,969,670
Municipal Income Taxes	5,799,382	1,585,679	0	0	7,385,061
Admission and Hotel Taxes	36,460	0	0	0	36,460
Charges for Services	201,229	0	0	540,426	741,655
Licenses, Permits and Fees	276,035	2,410	0	0	278,445
Fines, Forfeitures and Settlements	265,355	3,987,384	0	94,278	4,347,017
Permissive Taxes	0	0	0	44,684	44,684
Intergovernmental	697,420	0	32,949	1,291,778	2,022,147
Special Assessments	0	0	670,746	0	670,746
Investment Earnings/Interest	242,687	76,519	4,163	144,091	467,460
Rentals	68,245	0	0	14,989	83,234
Lease Revenue	31,041	0	0	10,500	41,541
Contributions and Donations	21,959	2,850	0	4,415	29,224
Franchise Taxes	83,755	0	0	0	83,755
Miscellaneous	166,804	43,361	0	121,352	331,517
<i>Total Revenues</i>	<i>8,673,462</i>	<i>5,698,203</i>	<i>707,858</i>	<i>3,453,093</i>	<i>18,532,616</i>
<b>Expenditures</b>					
Current:					
General Government	1,986,598	51,177	22,485	58,874	2,119,134
Security of Persons and Property					
Police	17,343	6,136,486	0	598,665	6,752,494
Fire	2,044	2,160,832	0	1,078,230	3,241,106
Transportation	940,002	0	0	1,148,248	2,088,250
Community Environment	147,153	0	0	817	147,970
Leisure Time Activities	281,450	0	0	10,565	292,015
Intergovernmental	0	0	0	325,858	325,858
Capital Outlay	0	95,530	0	152,179	247,709
Debt Service:					
Principal Retirement	5,623	58,984	711,787	1,223	777,617
Interest	251	2,082	132,633	54	135,020
<i>Total Expenditures</i>	<i>3,380,464</i>	<i>8,505,091</i>	<i>866,905</i>	<i>3,374,713</i>	<i>16,127,173</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>5,292,998</i>	<i>(2,806,888)</i>	<i>(159,047)</i>	<i>78,380</i>	<i>2,405,443</i>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	0	0	0	206,866	206,866
Inception of Financed Purchase	0	74,665	0	0	74,665
Inception of Subscription	0	95,530	0	0	95,530
Transfers In	0	4,942,724	161,036	22,491	5,126,251
Transfers Out	(4,950,215)	0	0	(176,036)	(5,126,251)
<i>Total Other Financing Sources (Uses)</i>	<i>(4,950,215)</i>	<i>5,112,919</i>	<i>161,036</i>	<i>53,321</i>	<i>377,061</i>
<i>Net Change in Fund Balances</i>	<i>342,783</i>	<i>2,306,031</i>	<i>1,989</i>	<i>131,701</i>	<i>2,782,504</i>
<i>Fund Balances Beginning of Year</i>	<i>5,414,237</i>	<i>1,664,238</i>	<i>228,688</i>	<i>4,286,762</i>	<i>11,593,925</i>
<i>Fund Balances End of Year</i>	<i>\$5,757,020</i>	<i>\$3,970,269</i>	<i>\$230,677</i>	<i>\$4,418,463</i>	<i>\$14,376,429</i>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, 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, 2024*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$2,782,504</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
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 Asset Additions	2,086,861	
Current Year Depreciation/Amortization	<u>(1,434,733)</u>	
Total		652,128
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(84,320)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.		
Delinquent Property Taxes	(4,316)	
Income Taxes	(125,057)	
Charges for Services	(51,603)	
Fines, Forfeitures and Settlements	(8,745)	
Intergovernmental	19,211	
Special Assessments	(552,314)	
Rentals	400	
Franchise Taxes	17,820	
Miscellaneous	328	
Total		(704,276)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	990,543	
OPEB	20,819	
Total		1,011,362
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB assets or liabilities are reported as pension expense in the statement of activities.		
Pension	(1,519,134)	
OPEB	(35,762)	
Total		(1,554,896)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
General Obligation Bonds Payable	125,000	
OWDA Loans Payable	586,787	
Financed Purchase	14,933	
Leases Payable	12,665	
Subscriptions Payable	38,232	
Total		777,617
Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.		
		9,673
Other financing sources in governmental funds that increase long-term liabilities on the statement of net position are not reported as revenues in the statement of activities.		
Inception of Financed Purchase	(74,665)	
Inception of Subscription	(95,530)	
Total		(170,195)
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	(77,795)	
Accrued Vacation Leave Payable	9,111	
Total		(68,684)
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$2,650,913</u></u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2024*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$764,900	\$764,900	\$783,090	\$18,190
Municipal Income Taxes	6,287,000	6,287,000	5,760,996	(526,004)
Admission and Hotel Taxes	35,400	35,400	35,784	384
Charges for Services	200,000	200,000	185,600	(14,400)
Licenses, Permits and Fees	116,800	116,800	125,509	8,709
Fines, Forfeitures and Settlements	282,500	282,500	265,355	(17,145)
Intergovernmental	711,400	711,400	694,371	(17,029)
Interest	150,500	150,500	219,030	68,530
Rentals	171,700	171,700	121,150	(50,550)
Contributions and Donations	500	500	1,000	500
Franchise Taxes	105,300	105,300	84,041	(21,259)
Miscellaneous	161,900	161,900	164,557	2,657
<i>Total Revenues</i>	<u>8,987,900</u>	<u>8,987,900</u>	<u>8,440,483</u>	<u>(547,417)</u>
<b>Expenditures</b>				
Current:				
General Government	2,341,362	2,341,362	2,166,917	174,445
Security of Persons and Property				
Police	18,250	18,250	17,343	907
Fire	2,550	2,550	2,044	506
Transportation	1,144,604	1,144,604	1,040,625	103,979
Community Environment	223,255	223,255	184,932	38,323
Leisure Time Activities	374,391	374,391	229,084	145,307
<i>Total Expenditures</i>	<u>4,104,412</u>	<u>4,104,412</u>	<u>3,640,945</u>	<u>463,467</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,883,488</u>	<u>4,883,488</u>	<u>4,799,538</u>	<u>(83,950)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(5,297,400)	(5,297,400)	(5,032,041)	265,359
<i>Net Change in Fund Balance</i>	<u>(413,912)</u>	<u>(413,912)</u>	<u>(232,503)</u>	<u>181,409</u>
<i>Fund Balance Beginning of Year</i>	<u>4,575,680</u>	<u>4,575,680</u>	<u>4,575,680</u>	<u>0</u>
Prior Year Encumbrances Appropriated	401,812	401,812	401,812	0
<i>Fund Balance End of Year</i>	<u>\$4,563,580</u>	<u>\$4,563,580</u>	<u>\$4,744,989</u>	<u>\$181,409</u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Safety Forces Fund*  
*For the Year Ended December 31, 2024*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Municipal Income Taxes	\$1,575,000	\$1,575,000	\$1,558,362	(\$16,638)
Licenses, Permits and Fees	2,400	2,400	2,410	10
Fines, Forfeitures and Settlements	250,000	1,500,000	3,580,714	2,080,714
Intergovernmental	32,400	32,400	32,623	223
Interest	45,000	45,000	76,519	31,519
Contributions and Donations	4,500	4,500	2,850	(1,650)
Miscellaneous	25,000	25,000	34,052	9,052
<i>Total Revenues</i>	<u>1,934,300</u>	<u>3,184,300</u>	<u>5,287,530</u>	<u>2,103,230</u>
<b>Expenditures</b>				
Current:				
General Government	52,400	52,400	51,177	1,223
Security of Persons and Property				
Police	5,154,991	6,439,452	6,067,247	372,205
Fire	2,349,182	2,381,733	2,208,206	173,527
<i>Total Expenditures</i>	<u>7,556,573</u>	<u>8,873,585</u>	<u>8,326,630</u>	<u>546,955</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(5,622,273)</u>	<u>(5,689,285)</u>	<u>(3,039,100)</u>	<u>2,650,185</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	20,000	20,000	0	(20,000)
Transfers In	5,179,900	5,179,900	4,942,724	(237,176)
<i>Total Other Financing Sources (Uses)</i>	<u>5,199,900</u>	<u>5,199,900</u>	<u>4,942,724</u>	<u>(257,176)</u>
<i>Net Change in Fund Balance</i>	<u>(422,373)</u>	<u>(489,385)</u>	<u>1,903,624</u>	<u>2,393,009</u>
<i>Fund Balance Beginning of Year</i>	<u>1,211,787</u>	<u>1,211,787</u>	<u>1,211,787</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>422,373</u>	<u>422,373</u>	<u>422,373</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,211,787</u>	<u>\$1,144,775</u>	<u>\$3,537,784</u>	<u>\$2,393,009</u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**

*Statement of Fund Net Position*

*Enterprise Fund*

*December 31, 2024*

	Sewer
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,220,420
Intergovernmental Receivable	616,996
Prepaid Items	18,518
<i>Total Current Assets</i>	<u>1,855,934</u>
<i>Noncurrent Assets</i>	
Restricted Assets:	
Net Pension Asset	819
Net OPEB Asset	6,399
Nondepreciable Capital Assets	268,613
Depreciable Capital Assets, Net	15,904,195
<i>Total Noncurrent Assets</i>	<u>16,180,026</u>
<i>Total Assets</i>	<u>18,035,960</u>
<b>Deferred Outflows of Resources</b>	
Pension	83,214
OPEB	5,672
Asset Retirement Obligation	17,200
<i>Total Deferred Outflows of Resources</i>	<u>106,086</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	2,896
Accrued Wages	3,822
Accrued Interest Payable	5,825
Accrued Vacation Leave Payable	5,267
Intergovernmental Payable	371,955
Compensated Absences Payable	13,588
OWDA Loans Payable	219,590
OPWC Loans Payable	37,450
<i>Total Current Liabilities</i>	<u>660,393</u>
<i>Long-Term Liabilities (Net of Current Portion):</i>	
Compensated Absences Payable	26,605
OWDA Loans Payable	259,792
OPWC Loans Payable	31,175
Asset Retirement Obligation	20,000
Net Pension Liability	195,748
<i>Total Long-Term Liabilities</i>	<u>533,320</u>
<i>Total Liabilities</i>	<u>1,193,713</u>
<b>Deferred Inflows of Resources</b>	
Pension	352
OPEB	4,727
<i>Total Deferred Inflows of Resources</i>	<u>5,079</u>
<b>Net Position</b>	
Net Investment in Capital Assets	15,624,801
Restricted for Pension and OPEB Plans	7,218
Unrestricted	1,311,235
<i>Total Net Position</i>	<u>\$16,943,254</u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Fund  
For the Year Ended December 31, 2024*

	<u>Sewer</u>
<b>Operating Revenue</b>	
Charges for Services	\$2,369,502
Other	<u>220</u>
<i>Total Operating Revenues</i>	<u>2,369,722</u>
<b>Operating Expenses</b>	
Personal Services	149,993
Fringe Benefits	62,415
Contractual Services	1,596,154
Depreciation	587,397
Other	<u>13,816</u>
<i>Total Operating Expenses</i>	<u>2,409,775</u>
<i>Operating Income (Loss)</i>	<u>(40,053)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Earnings/Interest	46,871
Loss on Disposal of Capital Assets	(14,342)
Special Assessments	32,599
Interest	<u>(13,801)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>51,327</u>
<i>Change in Net Position</i>	<u>11,274</u>
<i>Net Position Beginning of Year as Previously Reported</i>	16,970,211
Change in Accounting Principle (See Note 3)	<u>(38,231)</u>
<i>Restated Net Position Beginning of Year</i>	<u>16,931,980</u>
<i>Net Position End of Year</i>	<u><u>\$16,943,254</u></u>

See accompanying notes to the basic financial statements



**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund*  
*For the Year Ended December 31, 2024*

	<u>Sewer</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,858,571
Cash Received from Other Operating Sources	220
Cash Payments for Employee Services and Benefits	(191,907)
Cash Payments for Contractual Services	(1,541,943)
Cash Payments for Other Operating Expenses	<u>(13,872)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>111,069</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on OWDA Loans	(323,694)
Interest Paid on OWDA Loans	(18,075)
Principal Paid on OPWC Loans	(37,450)
Acquisition of Capital Assets	(323,623)
Special Assessments	<u>32,599</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(670,243)</u>
<b>Cash Flows from Investing Activities</b>	
Investment Earnings/Interest	<u>46,871</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(512,303)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,732,723</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,220,420</u></u>
	(continued)

**City of Willoughby Hills, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund (continued)*  
*For the Year Ended December 31, 2024*

	<u>Sewer</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	<u>(\$40,053)</u>
Adjustments:	
Depreciation	587,397
(Increase)/Decrease in Assets/Deferred Outflows:	
Intergovernmental Receivable	(510,931)
Prepays	(1,739)
Net Pension Asset	40
Net OPEB Asset	1,058
Deferred Outflows - Pension	36,935
Deferred Outflows - OPEB	6,829
Deferred Outflows - Asset Retirement Obligation	400
Increase/(Decrease) in Liabilities/Deferred Inflows:	
Accounts Payable	(4,106)
Accrued Wages	1,095
Accrued Vacation Leave Payable	1,278
Intergovernmental Payable	59,739
Compensated Absences Payable	5,951
Net Pension Liability	14,686
Deferred Inflows - Pension	(37,448)
Deferred Inflows - OPEB	<u>(10,062)</u>
<i>Total Adjustments</i>	<u>151,122</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$111,069</u></u>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Fiduciary Net Position*  
*Custodial Fund*  
*December 31, 2024*

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**Assets**

Cash and Cash Equivalents in Segregated Accounts	<u>\$2,376</u>
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**Liabilities**

Accounts Payable	95
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Intergovernmental Payable	<u>2,281</u>
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<i>Total Liabilities</i>	<u>2,376</u>
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**Net Position**

Restricted for Individuals and Other Governments	<u><u>\$0</u></u>
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See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*December 31, 2024*

<b>Additions</b>	
Fines and Forfeitures for Individuals	\$4,282
Fines and Forfeitures for Other Governments	102,774
	<hr/>
<i>Total Additions</i>	107,056
	<hr/>
<b>Deductions</b>	
Distributions to Individuals	4,282
Distributions to Other Governments	102,774
	<hr/>
<i>Total Deductions</i>	107,056
	<hr/>
<i>Net Change in Fiduciary Net Position</i>	0
<i>Net Position Beginning of Year</i>	0
	<hr/>
<i>Net Position End of Year</i>	\$0
	<hr/>

See accompanying notes to the basic financial statements

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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## **Note 1 – Reporting Entity**

The City of Willoughby Hills (the City) is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective September 15, 1970. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor. The council members are elected for four-year staggered terms. Four of the council members are elected at large. The mayor is elected for a four-year term.

### ***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. For the City of Willoughby Hills, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, sanitary sewer service and general administrative services.

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

The City participates in the Northeast Ohio Public Energy Council and the Regional Income Tax Agency jointly governed organizations and the Public Entities Pool of Ohio a public entity risk pool. These organizations are discussed in Note 16 and 19 of the Basic Financial Statements.

## **Note 2 – Summary of Significant Accounting Policies**

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

### ***Basis of Presentation***

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

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

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

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

***Fund Accounting***

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

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

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

***Safety Forces Fund*** The safety forces special revenue fund is used to account for and report voter approved income taxes that are restricted for salaries of police and firemen and for police and fire supplies and equipment.

***General Obligation Bond Retirement Fund*** The general obligation bond retirement fund is used to account for and report restricted property taxes levied to be used for the payment of principal and interest on general obligation bonds issued.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

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

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

***Sewer Fund*** The sewer fund accounts for and reports the provisions of sanitary sewer services to the residents and commercial users located within the City.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The liabilities represent amounts where no further action is needed to release the assets to other governments.

The City's fiduciary fund is a custodial fund. The City's custodial fund accounts for amounts collected and distributed on behalf of the mayor's court.

***Measurement Focus***

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

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

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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For the proprietary funds, 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.

Fiduciary funds present a statement of revenues, expenses and changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

***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 and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, admission and hotel taxes, charges for services, licenses, permits and fees, fines, forfeitures and settlements, permissive taxes, Federal and State grants and subsidies, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), franchise taxes, and miscellaneous revenue.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported in the government-wide statement of net position for pension, OPEB, and asset retirement obligations. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.



**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, leases, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2024, but which were levied to finance 2025 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, fines, forfeitures and settlements, intergovernmental, special assessments, rentals, franchise taxes, and miscellaneous. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12.)

***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.

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

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

***Budgetary Process***

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

**City of Willoughby Hills, Ohio**  
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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

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

***Cash and Cash Equivalents***

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City Treasury.

During 2024, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2024 amounted to \$242,687, which includes \$337 assigned from other City funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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***Inventory***

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include unclaimed monies legally required to be maintained until the end of a five-year holding period and amounts held on deposit for contractors. Restricted assets in the enterprise fund represent amounts held in trust by the pension and OPEB plans for future benefits.

***Capital Assets***

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

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

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

Description	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 20 years
Infrastructure	20 - 50 years
Intangible Right to Use Lease Assets - Equipment	4 - 5 years
Intangible Right to Use Subscription Assets - Software	5 years

The City's infrastructure consists of roads, sidewalks, sanitary sewers, storm sewers and traffic signals and does not include infrastructure acquired prior to December 31, 2004.

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

***Compensated Absences***

For the City, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The City does not offer noncash settlements. The City uses a first-in first-out flow assumption for compensated absences.

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For the City, this leave includes sick, vacation, and compensatory time. However, the City also has certain compensated absences that are dependent upon the occurrence of sporadic events that affect a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For the City this type of leave includes bereavement leave, military leave, personal leave, funeral leave, on-the-job injury leave, court leave, and jury service leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary related payments.

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 more likely than not that the employer will compensate the employees for the benefits through paid time off or will settle the benefits at separation. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to the amount accrued in one year, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

***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 the proprietary fund are reported on the proprietary fund financial statements.

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

**City of Willoughby Hills, Ohio**  
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benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, long-term loans, financed purchases, leases and subscriptions are recognized as a liability on the governmental fund financial statements when due.

***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. Nonspendable fund balance in the general fund includes unclaimed monies legally required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants.

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

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

***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 and legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the 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 is 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 Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance for recreation.

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

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the restricted net position, none has resulted from enabling legislation. Restricted net position for pension and OPEB plans represent the corresponding restricted asset amounts held in trust by the pension and OPEB plans for future benefits. Net position restricted for other purposes include resources restricted for court improvements, veterans memorial, police pension, police and fire safety forces, street maintenance, opioid settlement, enforcement and education, and unclaimed monies. Restricted net position for unclaimed monies represents amounts required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants.

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

***Operating Revenues and Expenses***

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

***Interfund Activity***

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

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

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
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***Interfund Balances***

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

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

***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

***Unearned Revenue***

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because the amounts have not yet been earned. The City recognizes unearned revenue from grants received before the eligibility requirements are met.

***Leases and SBITAs***

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

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

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

The City is reporting a Subscription-Based Information Technology Arrangement (SBITA) for a noncancellable IT software contract. At the commencement of the subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the

**City of Willoughby Hills, Ohio**  
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subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets, and subscription payables are reported with long-term debt on the statement of net position.

### **Note 3 – Changes in Accounting Principles and Restatement of Fund Balances and Net Position**

#### ***Changes in Accounting Principles***

For 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and related guidance from GASB Implementation Guide No. 2023-1, *Implementation Guidance Update — 2023*. The City also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, *Implementation Guidance Update — 2021* and GASB Statement No. 101, *Compensated Absences*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The City reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and GASB Implementation Guides 2021-1 and 2023-1 did not have any effect on beginning net position/fund balance.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The effects of implementing the GASB pronouncement are shown on the table on the following page.

#### ***Restatement of Fund Balances and Net Position***

For the City, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense on beginning net position as shown on the following table.



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	<b>12/31/2023</b>	<b>Change in</b>	
	<b>As Previously</b>	<b>Accounting</b>	
	<b>Reported</b>	<b>Principles</b>	
		<b>GASB 101</b>	<b>12/31/2023</b>
			<b>As Restated</b>
<b>Government-Wide</b>			
Governmental Activities	\$20,603,194	(\$632,492)	\$19,970,702
Business-Type Activity	16,970,211	(38,231)	16,931,980
<b>Total Primary Government</b>	<u>\$37,573,405</u>	<u>(\$670,723)</u>	<u>\$36,902,682</u>
<b>Governmental Funds</b>			
Major Funds:			
General	\$5,414,237	\$0	\$5,414,237
Safety Forces	1,664,238	0	1,664,238
General Obligation Bond Retirement	228,688	0	228,688
All Other Governmental Funds	4,286,762	0	4,286,762
<b>Total Governmental Funds</b>	<u>\$11,593,925</u>	<u>\$0</u>	<u>\$11,593,925</u>
<b>Proprietary Fund</b>			
Enterprise Fund:			
Sewer	<u>\$16,970,211</u>	<u>(\$38,231)</u>	<u>\$16,931,980</u>
<b>Fiduciary Fund</b>			
Custodial Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual are presented in the basic financial statements for the general fund and major special revenue fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements but is reported on the operating statements prepared using GAAP.
3. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
4. Budgetary revenues and expenditures of the recreation fund are classified to the general fund for GAAP reporting.

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds:

Net Change in Fund Balance		
	General	Safety Forces
GAAP Basis	\$342,783	\$2,306,031
Net Adjustment for Revenue Accruals	(104,782)	(410,673)
Beginning Unrecorded Cash	13,608	66,939
Ending Unrecorded Cash	(15,113)	(66,824)
Net Adjustment for Expenditure Accruals	15,325	303,929
Perspective Difference:		
Recreation	(2,008)	0
Encumbrances	(482,316)	(295,778)
Budget Basis	<u>(\$232,503)</u>	<u>\$1,903,624</u>

## **Note 5 – Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

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

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

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## **Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2024, \$1,476,826 of the City's total bank balance of \$10,095,507 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 85 percent resulting in the uninsured and uncollateralized balance.

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

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

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

## **Investments**

As of December 31, 2024, the City had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$5,549,590, which is valued at net asset value per share. The average maturity is 27.2 days.

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase if they have a variable interest rate and five years for investments that have a fixed rate and that the City's investment portfolio be structured so that 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** 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 statistical rating organization. The City has no investment policy that addresses credit risk.

**Concentration of Credit Risk.** The City places no limit on the amount it may invest in any one issuer.

## **Note 6 – 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 as follows:

**City of Willoughby Hills, Ohio**  
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Fund Balances	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>					
Unclaimed Monies	\$31,501	\$0	\$0	\$0	\$31,501
Inventory	5,742	34,612	0	84,783	125,137
Prepays	74,072	0	0	0	74,072
<b><i>Total Nonspendable</i></b>	<b>111,315</b>	<b>34,612</b>	<b>0</b>	<b>84,783</b>	<b>230,710</b>
<b><i>Restricted for</i></b>					
Court Improvements	0	0	0	3,333	3,333
Veterans Memorial	0	0	0	429	429
Police Pension	0	0	0	58,917	58,917
Public Safety	0	3,935,657	0	207,727	4,143,384
Street Maintenance	0	0	0	2,154,991	2,154,991
Opioid Settlement	0	0	0	62,831	62,831
Enforcement and Education	0	0	0	190,915	190,915
Debt Service Payments	0	0	230,677	0	230,677
Capital Improvements	0	0	0	636,185	636,185
<b><i>Total Restricted</i></b>	<b>0</b>	<b>3,935,657</b>	<b>230,677</b>	<b>3,315,328</b>	<b>7,481,662</b>
<b><i>Committed to</i></b>					
Termination Pay	49,425	0	0	0	49,425
Underground Storage	11,000	0	0	0	11,000
Parks and Recreation	0	0	0	55,284	55,284
Assistance to Seniors	0	0	0	43,227	43,227
Capital Improvements	0	0	0	919,841	919,841
<b><i>Total Committed</i></b>	<b>60,425</b>	<b>0</b>	<b>0</b>	<b>1,018,352</b>	<b>1,078,777</b>
<b><i>Assigned to</i></b>					
Recreation	25,607	0	0	0	25,607
Purchases on Order:					
Personal Services	16,169	0	0	0	16,169
Fringe Benefits	12,989	0	0	0	12,989
Contractual Services	412,660	0	0	0	412,660
Capital Outlay	13,475	0	0	0	13,475
<b><i>Total Assigned</i></b>	<b>480,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>480,900</b>
<b><i>Unassigned</i></b>	<b>5,104,380</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,104,380</b>
<b><i>Total Fund Balances</i></b>	<b>\$5,757,020</b>	<b>\$3,970,269</b>	<b>\$230,677</b>	<b>\$4,418,463</b>	<b>\$14,376,429</b>

**Note 7 – Receivables**

Receivables at December 31, 2024, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, permissive taxes, special assessments, leases and accounts.

**City of Willoughby Hills, Ohio**  
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No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes, special assessments, and opioid settlement monies 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 \$2,060,367 in the general obligation bond retirement fund. At December 31, 2024, the amount of delinquent special assessments was \$16,538.

***Opioid Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$96,579 as an accounts receivable related to opioid settlement monies in the OneOhio special revenue fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$85,112 not expected to be collected within one year of the date of the financial statements.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2024 for real and public utility property taxes represents collections of 2023 taxes.

2024 real property taxes were levied after October 1, 2024, on the assessed value as of January 1, 2024, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2024 real property taxes are collected in and intended to finance 2025.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2024 public utility property taxes which became a lien December 31, 2023, are levied after October 1, 2024, and are collected in 2025 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2024, was \$7.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2024 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$256,279,750
Other Real Estate	59,785,690
Tangible Personal Property	
Public Utility	7,778,610
Total Assessed Values	<u>\$323,844,050</u>

**City of Willoughby Hills, Ohio**  
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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2024, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2024 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***Income Taxes***

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. On November 2, 2010, a majority of the electors voted to approve an amendment to the City charter which increased the income tax rate to two percent from one and one-half percent effective January 1, 2011. The amendment further stipulates that any and all income above one and one-half percent up to two percent of income tax paid on income earned within the City and net profits shall be exclusively used to support the City's safety forces. The City allows a resident who works outside of the City a tax credit for income tax paid to the resident's workplace community. This credit is equal to the workplace community's tax rate up to a workplace tax rate of 1.5 percent. A resident's income tax liability is equal to 2 percent of the resident's annual earned income minus the lesser of the resident's workplace community's income tax rate or 1.5 percent. 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.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 3 percent. Taxes collected by RITA in one month are remitted to the City on the first and fifteenth business days of the following month. Income tax revenue is credited to the general fund and safety forces special revenue fund.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>Governmental Activities</i>	
Local Government	\$287,691
Gas Excise Tax	244,552
Homestead and Rollback	120,771
Willoughby Municipal Court	91,820
Motor Vehicle License Tax	28,160
Lake County	16,228
Lake County Stonegarden Grants	12,092
NOPEC Energized Community Grants	8,703
Willoughby-Eastlake Public Library	7,372
Body Armor Federal Grant	2,149
<i>Total Governmental Activities</i>	<u><u>\$819,538</u></u>
<i>Business-Type Activity</i>	
Lake County	<u><u>\$616,996</u></u>

**City of Willoughby Hills, Ohio**  
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***Leases Receivable***

The City is reporting leases receivable of \$1,600,211 and \$321,778 in the general fund and park maintenance special revenue fund, respectively, at December 31, 2024. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2024, the City recognized lease revenue of \$31,041 and interest revenue of \$22,764 in the general fund and recognized lease revenue of \$10,500 and interest revenue of \$5,421 in the park maintenance special revenue fund related to lease payments received. A description of the City's leasing arrangements is as follows:

*Cell Tower Leases* – The City has entered into various lease agreements for cell towers with multiple companies at varying years and terms as follows:

Company	Commencement Date	Years	Ending Date	Payment Method
Verizon	1987	55	2042	Monthly
TowerCo Cell Tower	2019	30	2049	Monthly
CC Holdings/Sprint	1998	26	2024	Monthly
CC Holdings/Sprint	2024	25	2049	Monthly

A summary of future lease amounts receivable is as follows:

Year	General		Park Maintenance	
	Principal	Interest	Principal	Interest
2025	\$30,910	\$36,331	\$4,121	\$9,063
2026	36,327	38,321	4,642	8,940
2027	39,182	37,392	5,189	8,801
2028	42,167	36,388	5,765	8,647
2029	45,286	35,304	6,368	8,476
2030-2034	278,163	157,253	41,994	39,170
2035-2039	378,961	116,116	62,232	31,869
2040-2044	402,941	63,815	87,735	21,349
2045-2049	346,274	18,723	103,732	6,895
	<u>\$1,600,211</u>	<u>\$539,643</u>	<u>\$321,778</u>	<u>\$143,210</u>



**City of Willoughby Hills, Ohio**  
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**Note 8 – Interfund Transfers and Balances and Internal Balances**

***Interfund Transfers***

Transfers made during the year ended December 31, 2024, were as follows:

Transfer To	Transfer From		
	General	Other Governmental Funds	Total
<b>Major Funds</b>			
Safety Forces	\$4,942,724	\$0	\$4,942,724
General Obligation Bond Retirement	0	161,036	161,036
<i>Total Major Funds</i>	<u>4,942,724</u>	<u>161,036</u>	<u>5,103,760</u>
<b>Other Governmental Funds</b>			
Pleasant Valley Bridge	0	15,000	15,000
Recreation Improvement	7,491	0	7,491
<i>Total Other Governmental Funds</i>	<u>7,491</u>	<u>15,000</u>	<u>22,491</u>
<i>Total Governmental Activities</i>	<u>\$4,950,215</u>	<u>\$176,036</u>	<u>\$5,126,251</u>

The general fund made transfers to the safety forces special revenue fund and the recreation improvement capital projects fund to provide additional resources for current operations. The street construction, maintenance and repair special revenue fund made a transfer to the pleasant valley bridge capital projects fund for its portion of the enacted \$5 motor vehicle license fees. The road levy special revenue fund and the fire department capital equipment capital projects fund made transfers to the general obligation bond retirement debt service fund for debt payment requirements.

***Interfund Balances***

The interfund balance at December 31, 2024, consists of an interfund payable/receivable between the law enforcement grants and law enforcement trust special revenue funds in the amount of \$5,444 and the FEMA special revenue fund and fire department capital equipment capital projects fund of \$65,000. These loans were made to subsidize grant funding until it could be secured.

***Internal Balances – Change in Proportionate Share***

The City uses an internal proportionate share to allocate its net pension/OPEB liability (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the governmental activities and deferred inflows of resources for the business-type activity in the amount of \$28 for pension.

**City of Willoughby Hills, Ohio**  
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**Note 9 – Capital Assets**

Capital asset activity for the year ended December 31, 2024, was as follows:

	Balance 1/1/2024	Additions	Reductions	Balance 12/31/2024
<b>Governmental Activities</b>				
<b><i>Nondepreciable Capital Assets</i></b>				
Land	\$729,700	\$0	(\$33,300)	\$696,400
Construction in Progress	1,020,133	534,075	(1,235,761)	318,447
<b><i>Total Nondepreciable Capital Assets</i></b>	<b>1,749,833</b>	<b>534,075</b>	<b>(1,269,061)</b>	<b>1,014,847</b>
<b><i>Depreciable/Amortizable Capital Assets</i></b>				
<b><i>Tangible Assets</i></b>				
Land Improvements	1,470,273	182,759	0	1,653,032
Buildings and Improvements	9,107,208	607,279	0	9,714,487
Machinery and Equipment	9,231,219	1,653,471	(567,812)	10,316,878
Infrastructure	13,265,606	249,508	0	13,515,114
<b><i>Total Tangible Assets</i></b>	<b>33,074,306</b>	<b>2,693,017</b>	<b>(567,812)</b>	<b>35,199,511</b>
<b><i>Intangible Right to Use</i></b>				
<b><i>Lease Assets</i></b>				
Intangible Right to Use - Equipment	49,156	0	0	49,156
<b><i>Subscription Assets</i></b>				
Intangible Right to Use - Software	0	95,530	0	95,530
<b><i>Total Intangible Assets</i></b>	<b>49,156</b>	<b>95,530</b>	<b>0</b>	<b>144,686</b>
<b><i>Total Depreciable/Amortizable Capital Assets</i></b>	<b>33,123,462</b>	<b>2,788,547</b>	<b>(567,812)</b>	<b>35,344,197</b>
<b><i>Less Accumulated Depreciation/Amortization</i></b>				
<b><i>Depreciation</i></b>				
Land Improvements	(1,156,292)	(39,997)	0	(1,196,289)
Buildings and Improvements	(4,841,284)	(215,503)	0	(5,056,787)
Machinery and Equipment	(6,089,887)	(595,208)	516,792	(6,168,303)
Infrastructure	(3,574,834)	(533,128)	0	(4,107,962)
<b><i>Total Depreciation</i></b>	<b>(15,662,297)</b>	<b>(1,383,836)</b>	<b>516,792</b>	<b>(16,529,341)</b>
<b><i>Amortization</i></b>				
<b><i>Intangible Right to Use</i></b>				
<b><i>Lease Assets</i></b>				
Intangible Right to Use - Equipment	(22,730)	(12,665)	0	(35,395)
<b><i>Subscription Assets</i></b>				
Intangible Right to Use - Software	0	(38,232)	0	(38,232)
<b><i>Total Amortization</i></b>	<b>(22,730)</b>	<b>(50,897)</b>	<b>0</b>	<b>(73,627)</b>
<b><i>Total Accumulated Depreciation/Amortization</i></b>	<b>(15,685,027)</b>	<b>(1,434,733) *</b>	<b>516,792</b>	<b>(16,602,968)</b>
<b><i>Total Depreciable/Amortizable Capital Assets, Net</i></b>	<b>17,438,435</b>	<b>1,353,814</b>	<b>(51,020)</b>	<b>18,741,229</b>
<b><i>Governmental Activities Capital Assets, Net</i></b>	<b>\$19,188,268</b>	<b>\$1,887,889</b>	<b>(\$1,320,081)</b>	<b>\$19,756,076</b>

**City of Willoughby Hills, Ohio**  
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\*Depreciation/Amortization expense was charged to governmental activities as follows:

	Depreciation	Amortization		Total
		Lease Assets	Subscription Assets	
General Government	\$98,950	\$11,086	\$0	\$110,036
Security of Persons and Property				
Police	228,922	0	38,232	267,154
Fire	252,894	1,579	0	254,473
Transportation	723,291	0	0	723,291
Community Environment	1,768	0	0	1,768
Leisure Time Activities	78,011	0	0	78,011
Total	<u>\$1,383,836</u>	<u>\$12,665</u>	<u>\$38,232</u>	<u>\$1,434,733</u>
	Balance			Balance
	1/1/2024	Additions	Reductions	12/31/2024
<b>Business-Type Activities</b>				
<b><i>Nondepreciable Capital Assets</i></b>				
Land	<u>\$268,613</u>	<u>\$0</u>	<u>\$0</u>	<u>\$268,613</u>
<b><i>Depreciable Capital Assets</i></b>				
Machinery and Equipment	1,033,676	158,504	(57,367)	1,134,813
Infrastructure	<u>23,514,420</u>	<u>165,119</u>	<u>0</u>	<u>23,679,539</u>
<i>Total Depreciable Capital Assets</i>	<u>24,548,096</u>	<u>323,623</u>	<u>(57,367)</u>	<u>24,814,352</u>
<b><i>Less Accumulated Depreciation</i></b>				
Machinery and Equipment	(669,728)	(82,055)	43,025	(708,758)
Infrastructure	<u>(7,696,057)</u>	<u>(505,342)</u>	<u>0</u>	<u>(8,201,399)</u>
<i>Total Accumulated Depreciation</i>	<u>(8,365,785)</u>	<u>(587,397)</u>	<u>43,025</u>	<u>(8,910,157)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>16,182,311</u>	<u>(263,774)</u>	<u>(14,342)</u>	<u>15,904,195</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$16,450,924</u>	<u>(\$263,774)</u>	<u>(\$14,342)</u>	<u>\$16,172,808</u>

## Note 10 – Risk Management

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

During 2024, the City participated in the Public Entities Pool of Ohio with USI Insurance Services acting as the City's agent for the following types of insurance:

**City of Willoughby Hills, Ohio**  
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Type	Coverage
Buildings	\$20,545,295
Personal Property	2,365,500
Third Party Legal Liability	11,000,000 per occurrence
Vehicle Liability	11,000,000 per occurrence
Law Enforcement Liability	11,000,000 per occurrence
Wrongful Acts Liability	11,000,000 per occurrence
Employee Benefit Liability	1,000,000 aggregate

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

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

**Note 11 – Defined Benefit Pension Plans**

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

***Net Pension Liability (Asset)/Net OPEB Liability (Asset)***

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

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

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

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

**City of Willoughby Hills, Ohio**  
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amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2024, the combined plan was consolidated into the traditional pension plan, as approved by the legislature in House Bill 33. The traditional pension plan includes members of the legacy combined plan, a hybrid defined benefit/defined contribution plan which was closed to new members effective January 1, 2022. New members are no longer able to select the combined plan, and current members are no longer able to make a plan change to the combined plan. The combined plan was consolidated into the traditional pension plan effective January 1, 2024, as a separate division. No changes were made to the benefit design features of the combined plan as part of this consolidation so that members in this plan will experience no changes. The City's 2024 net pension liability (asset) for OPERS is measured as of December 31, 2023, and reflects the traditional plan and the combined plan as two separate plans. The City's 2025 financial statements will reflect the effects of the combined plan being consolidated into the traditional pension plan.

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

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

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

Traditional plan state and local members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

Combined plan members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

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.

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

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

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includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

	State and Local	
	Traditional	Combined
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	0.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

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

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

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

For 2024, the City's contractually required contribution was \$238,494 for the traditional plan, \$1,932 for the combined plan, and \$6,754 for the member-directed plan. Of these amounts, \$27,188 is reported as an intergovernmental payable for the traditional plan, \$219 for the combined plan, and \$769 for the member-directed plan.

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

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about

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OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

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

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

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



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

	<u>Police</u>	<u>Firefighters</u>
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$768,390 for 2024. Of this amount, \$92,978 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.00983800%	0.00350600%	0.11899010%	
Prior Measurement Date	<u>0.00937400%</u>	<u>0.00332200%</u>	<u>0.11741460%</u>	
Change in Proportionate Share	<u>0.00046400%</u>	<u>0.00018400%</u>	<u>0.00157550%</u>	
Proportionate Share of the:				
Net Pension Liability	\$2,575,629	\$0	\$11,496,086	\$14,071,715
Net Pension (Asset)	0	(10,776)	0	(10,776)
Pension Expense	311,233	705	1,239,682	1,551,620

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2024 pension expense for the member-directed defined contribution plan was \$6,754. The aggregate pension expense for all pension plans was \$1,558,374 for 2024.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$42,096	\$437	\$369,059	\$411,592
Changes of assumptions	0	400	726,540	726,940
Net difference between projected and actual earnings on pension plan investments	519,872	1,752	1,302,748	1,824,372
Changes in proportion and differences between City contributions and proportionate share of contributions	60,294	91	317,327	377,712
City contributions subsequent to the measurement date	238,494	1,932	768,390	1,008,816
<b>Total Deferred Outflows of Resources</b>	<b>\$860,756</b>	<b>\$4,612</b>	<b>\$3,484,064</b>	<b>\$4,349,432</b>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$0	\$1,066	\$128,570	\$129,636
Changes of assumptions	0	0	174,581	174,581
Changes in proportion and differences between City contributions and proportionate share of contributions	0	634	258,279	258,913
<b>Total Deferred Inflows of Resources</b>	<b>\$0</b>	<b>\$1,700</b>	<b>\$561,430</b>	<b>\$563,130</b>

\$1,008,816 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2025	\$173,748	\$194	\$624,840	\$798,782
2026	190,789	405	639,974	831,168
2027	331,753	934	888,538	1,221,225
2028	(74,028)	(375)	(72,909)	(147,312)
2029	0	(48)	71,652	71,604
Thereafter	0	(130)	2,149	2,019
<b>Total</b>	<b>\$622,262</b>	<b>\$980</b>	<b>\$2,154,244</b>	<b>\$2,777,486</b>

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***Actuarial Assumptions – OPERS***

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2023, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees (Current Year)	2.3 percent, simple through 2024, then 2.05 percent, simple	2.3 percent, simple through 2024, then 2.05 percent, simple
Post-January 7, 2013 Retirees (Prior Year)	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.2 percent for 2023.

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The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric 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, 2023, 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	24.00%	2.85%
Domestic Equities	21.00	4.27
Real Estate	13.00	4.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other Investments	5.00	3.46
Total	<u>100.00%</u>	

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
<b>City's proportionate share of the net pension liability (asset):</b>			
OPERS Traditional Plan	\$4,054,732	\$2,575,629	\$1,345,445
OPERS Combined Plan	(6,521)	(10,776)	(14,129)

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***Actuarial Assumptions – OP&F***

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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful life of the participants, which was 6.03 years at December 31, 2023.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2023, are presented as follows:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	2.2 percent simple per year

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

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

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

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.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended

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to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.10 %
Non-US Equity	12.40	4.90
Private Markets	10.00	7.30
Core Fixed Income *	25.00	2.40
High Yield Fixed Income	7.00	4.10
Private Credit	5.00	6.80
U.S. Inflation Linked Bonds*	15.00	2.10
Midstream Energy Infrastructure	5.00	5.80
Real Assets	8.00	6.00
Gold	5.00	3.50
Private Real Estate	12.00	5.40
Commodities	2.00	3.50
Total	<u>125.00 %</u>	

Note: Assumptions are geometric.

\* levered 2.0x

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 in the previous table, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** For 2023, 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 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 be available to make all future benefit payment 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. 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:

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$15,227,422	\$11,496,086	\$8,393,117

**Note 12 – Defined Benefit OPEB Plans**

See Note 11 for a description of the net OPEB liability (asset).

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined, and Member-Directed plans. 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. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program.

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

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

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:

**Age 65 or older Retirees** Minimum of 20 years of qualifying service credit

**Age 60 to 64 Retirees** Based on the following age-and-service criteria:

**Group A** 30 years of total service with at least 20 years of qualified health care service credit;

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**Group B** 31 years of total service credit with at least 20 years of qualified health care service credit; or

**Group C** 32 years of total service credit with at least 20 years of qualified health care service credit.

**Age 59 or younger Retirees** Based on the following age-and-service criteria:

**Group A** 30 years of qualified health care service credit;

**Group B** 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or

**Group C** 32 years of qualified health care service credit and at least age 55.

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:

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
<b>Age and Service Requirements</b> <b><i>December 1, 2014 or Prior</i></b>	<b>Age and Service Requirements</b> <b><i>December 1, 2014 or Prior</i></b>	<b>Age and Service Requirements</b> <b><i>December 1, 2014 or Prior</i></b>
Any Age with 10 years of service credit	Any Age with 10 years of service credit	Any Age with 10 years of service credit
<b><i>January 1, 2015 through</i></b> <b><i>December 31, 2021</i></b>	<b><i>January 1, 2015 through</i></b> <b><i>December 31, 2021</i></b>	<b><i>January 1, 2015 through</i></b> <b><i>December 31, 2021</i></b>
Age 60 with 20 years of service credit or Any Age with 30 years of service credit	Age 52 with 31 years of service credit or Age 60 with 20 years of service credit or Any Age with 32 years of service credit	Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B and C.

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

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives 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 for both non-Medicare and Medicare retirees.

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



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

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

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10 percent each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20 percent per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. 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 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,380 for 2024. Of this amount, \$272 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2024, 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.

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

The City's contractually required contribution to OP&F was \$18,619 for 2024. Of this amount, \$2,217 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, 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, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.00933100%	0.11899010%	
Prior Measurement Date	<u>0.00898900%</u>	<u>0.11741460%</u>	
Change in Proportionate Share	<u>0.00034200%</u>	<u>0.00157550%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$0	\$868,783	\$868,783
Net OPEB (Asset)	(84,214)	0	(84,214)
OPEB Expense	(19,941)	53,708	33,767

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$41,776	\$41,776
Changes of assumptions	21,681	298,957	320,638
Net difference between projected and actual earnings on OPEB plan investments	50,576	64,154	114,730
Changes in proportion and differences between City contributions and proportionate share of contributions	0	72,049	72,049
City contributions subsequent to the measurement date	<u>2,380</u>	<u>18,619</u>	<u>20,999</u>
Total Deferred Outflows of Resources	<u>\$74,637</u>	<u>\$495,555</u>	<u>\$570,192</u>

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	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$11,986	\$159,657	\$171,643
Changes of assumptions	36,201	559,476	595,677
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>2,146</u>	<u>45,825</u>	<u>47,971</u>
Total Deferred Inflows of Resources	<u>\$50,333</u>	<u>\$764,958</u>	<u>\$815,291</u>

\$20,999 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2025	(\$3,517)	\$6,253	\$2,736
2026	3,149	(33,086)	(29,937)
2027	39,369	(17,177)	22,192
2028	(17,077)	(69,390)	(86,467)
2029	0	(80,441)	(80,441)
Thereafter	<u>0</u>	<u>(94,181)</u>	<u>(94,181)</u>
Total	<u>\$21,924</u>	<u>(\$288,022)</u>	<u>(\$266,098)</u>

***Actuarial Assumptions – OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

**City of Willoughby Hills, Ohio**  
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Wage Inflation	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent including wage inflation
Single Discount Rate	5.70 percent
Prior Year Single Discount Rate	5.22 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.77 percent
Prior Year Municipal Bond Rate	4.05 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2038
Actuarial Cost Method	Individual Entry Age

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

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care 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 gain of 14.0 percent for 2023.

The allocation of investment assets within the Health Care portfolio is approved by the Board 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 benefits provided through the defined benefit 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00%	2.82%
Domestic Equities	25.00	4.27
Real Estate Investment Trust	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other Investments	5.00	2.43
Total	<u>100.00%</u>	

**Discount Rate** A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. (Fidelity Index's "20-Year Municipal GO AA Index") The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, 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 (Asset) to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.70 percent) or one percentage point higher (6.70 percent) than the current rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
City's proportionate share of the net OPEB liability (asset)	\$46,282	(\$84,214)	(\$192,312)

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

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Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care 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.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	(\$87,711)	(\$84,214)	(\$80,247)

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, 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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented as follows:

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Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.50 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended Discount Rate:	
Current measurement rate	4.07 percent
Prior measurement rate	4.27 percent
Cost-of-Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2038

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

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

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

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.

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** For 2023, the total OPEB liability was calculated using the discount rate of 4.07 percent. The projection of cash flows used to determine the discount rate assumed the contributions 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 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.5 percent was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38 percent was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07 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. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.07 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 (3.07 percent), or one percentage point higher (5.07 percent), than the current rate:



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	1% Decrease (3.07%)	Current Discount Rate (4.07%)	1% Increase (5.07%)
City's proportionate share of the net OPEB liability	\$1,070,100	\$868,783	\$699,235

### **Note 13 – Other Employee Benefits**

#### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is not entitled to payment for any earned but unused vacation. Any active employee's unused vacation time remaining at year-end is forfeited. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Administrative employees can accumulate up to a maximum of 1,200 hours of sick leave. Police, dispatch and service employees can accumulate up to a maximum of 1,200 hours of sick leave. Fire department employees have a maximum sick leave accumulation of 1,440 hours. Upon retirement, employees are paid for all vacation and sick days they have accumulated.

#### ***Health Care Benefits***

Medical/surgical and prescription insurance is offered to employees through CIGNA Open Access Plus. Vision and dental insurance coverage is offered through CIGNA as of January 1, 2024. Employee deductibles are covered by Gap Insurance through Prosperity Life Group Company (Bay Bridge).

For 2024 the cost per month for health care was as follows:

	Employee Only	Employee Plus Spouse	Employee Plus Children	Family
CIGNA Open Access Plus	\$705.61	\$1,550.93	\$1,191.07	\$2,178.21
CIGNA - Vision Plan	8.86	14.92	15.24	24.55
CIGNA Base - Dental	17.34	35.34	46.75	67.67
CIGNA Buy-Up - Dental	34.56	72.92	84.33	125.04

The employee payroll deduction for the CIGNA Open Access Plus, CIGNA Vision, CIGNA Base Dental and CIGNA Buy-Up Dental is 15 percent of the above figures for police, fire and union employees and 12 percent of the above figures for AFSCME union and non-union full-time employees.

#### ***Life Insurance***

Life insurance is provided to full-time employees through Principal Financial. Full-time employees receive \$25,000 term life coverage. The City pays the total monthly premium.

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***Deferred Compensation***

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 456 and is considered an other employee benefit plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Note 14 – Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Governmental Activities</b>			
<i>General Obligation Bonds:</i>			
Fire Truck - 2022	2.34%	\$1,025,000	2032
Salt Storage Facility - 2022	2.34%	615,000	2037
<i>Ohio Water Development Authority Loans from Direct Borrowings:</i>			
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
Woodlands Sanitary Sewers - 2006	3.25%	501,651	2027
Sewer Laterals - 2007	4.17%	140,985	2027
Euclid Creek Tributary Watershed Area C - 2006	3.25%	3,244,473	2032
<b>Business Type Activity</b>			
<i>Ohio Water Development Authority Loans from Direct Borrowings:</i>			
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
<i>Ohio Public Works Commission Loans from Direct Borrowings:</i>			
Euclid Interceptor - 2005	0.00%	500,000	2026
Euclid Sewer Phase II - 2006	0.00%	249,000	2027

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Changes in long-term obligations of the City during 2024 were as follows:

	Outstanding 1/1/2024	Additions	Reductions	Outstanding 12/31/2024	Due Within One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Fire Truck	\$945,000	\$0	\$95,000	\$850,000	\$100,000
Salt Storage Facility	595,000	0	30,000	565,000	30,000
<i>Total General Obligation Bonds</i>	<u>1,540,000</u>	<u>0</u>	<u>125,000</u>	<u>1,415,000</u>	<u>130,000</u>
<b>OWDA Loans from Direct Borrowings paid with Assessments</b>					
Euclid Creek Interceptor	80,938	0	47,984	32,954	32,954
Euclid Creek Sewers	1,409,812	0	335,597	1,074,215	346,592
Woodlands Sanitary Sewers	127,715	0	30,401	97,314	31,398
Sewer Laterals	38,179	0	8,962	29,217	9,340
Euclid Creek Tributary Watershed Area C	1,576,486	0	163,843	1,412,643	169,211
<i>Total OWDA Loans</i>	<u>3,233,130</u>	<u>0</u>	<u>586,787</u>	<u>2,646,343</u>	<u>589,495</u>
<b>Other Long-Term Obligations</b>					
Net Pension Liability:					
OPERS	2,602,941	0	223,060	2,379,881	0
OP&F	11,153,250	342,836	0	11,496,086	0
<i>Total Net Pension Liability</i>	<u>13,756,191</u>	<u>342,836</u>	<u>223,060</u>	<u>13,875,967</u>	<u>0</u>
Net OPEB Liability:					
OPERS	53,275	0	53,275	0	0
OP&F	835,958	32,825	0	868,783	0
<i>Total Net OPEB Liability</i>	<u>889,233</u>	<u>32,825</u>	<u>53,275</u>	<u>868,783</u>	<u>0</u>
Financed Purchase from Direct Borrowing	0	74,665	14,933	59,732	14,933
Leases Payable	26,426	0	12,665	13,761	12,084
Subscriptions Payable	0	95,530	38,232	57,298	18,659
Compensated Absences	1,096,684	77,795	0	1,174,479	276,691
<i>Total Other Long-Term Obligations</i>	<u>15,768,534</u>	<u>623,651</u>	<u>342,165</u>	<u>16,050,020</u>	<u>322,367</u>
<b>Total Governmental Activities</b>	<u>\$20,541,664</u>	<u>\$623,651</u>	<u>\$1,053,952</u>	<u>\$20,111,363</u>	<u>\$1,041,862</u>
<b>Business-Type Activity</b>					
<b>OWDA Loans from Direct Borrowings</b>					
Euclid Creek Interceptor	\$299,716	\$0	\$203,873	\$95,843	\$95,843
Euclid Creek Sewers	503,360	0	119,821	383,539	123,747
<i>Total OWDA Loans</i>	<u>803,076</u>	<u>0</u>	<u>323,694</u>	<u>479,382</u>	<u>219,590</u>
<b>OPWC Loans from Direct Borrowings</b>					
Euclid Interceptor	62,500	0	25,000	37,500	25,000
Euclid Sewer Phase II	43,575	0	12,450	31,125	12,450
<i>Total OPWC Loans</i>	<u>106,075</u>	<u>0</u>	<u>37,450</u>	<u>68,625</u>	<u>37,450</u>
<b>Other Long-Term Obligations</b>					
Asset Retirement Obligation	20,000	0	0	20,000	0
Net Pension Liability - OPERS	166,143	29,605	0	195,748	0
Net OPEB Liability - OPERS	3,402	0	3,402	0	0
Compensated Absences	34,242	5,951	0	40,193	13,588
<i>Total Other Long-Term Obligations</i>	<u>223,787</u>	<u>35,556</u>	<u>3,402</u>	<u>255,941</u>	<u>13,588</u>
<b>Total Business-Type Activity</b>	<u>\$1,132,938</u>	<u>\$35,556</u>	<u>\$364,546</u>	<u>\$803,948</u>	<u>\$270,628</u>

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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Increases and decreases to compensated absences are presented net on the previous table.

**General Obligation Bonds** During 2022, the City issued \$1,640,000 in various purpose bonds with an interest rate of 2.34 percent. The bonds were issued for a ten and fifteen year period with a final maturity during 2032 and 2037. The proceeds were used for a fire truck and the construction of a salt storage facility. The bonds will be repaid from the bond retirement debt service fund. As of December 31, 2024, the City had unspent proceeds of \$133,663.

**OWDA Loans** Ohio Water Development Authority (OWDA) loans from direct borrowings consist of money owed to OWDA for sewer improvements. The OWDA loans for the Euclid Interceptor, Euclid Creek Sewers, Woodlands Sanitary Sewers, Sewer Laterals and Euclid Creek Tributary Watershed Area C loans are paid from the general obligation bond retirement fund with special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OWDA loan for the City's portion of the Euclid Creek Interceptor and Euclid Creek Sewers is paid from the sewer enterprise fund with user charges.

The City's outstanding OWDA loans from direct borrowings of \$2,646,343 related to governmental activities and \$479,382 related to business-type activities contain a provision that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

**OPWC Loans** OPWC loans from direct borrowings consist of money owed to the Ohio Public Works Commission for sewer improvements. The loans are interest free. OPWC loans will be paid from the sewer enterprise fund.

The City's outstanding OPWC loans from direct borrowings of \$68,625 related to business-type activities contain a provision that in an event of default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, the OPWC may require that such payment be taken from the City's share of the City undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City has pledged future revenues to repay OWDA and OPWC loans in the sewer fund. The debt is payable solely from net revenues and is payable through 2027. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Total principal and interest remaining to be paid on finalized loans is \$564,268. Principal and interest paid for the current year and net revenues available were \$379,219 and \$626,814, respectively.

**Financed Purchase** In 2024, the City financed \$74,665 to purchase tasers through Axon Enterprise, Incorporated. The interest rate of this financed purchase from direct borrowing is 0 percent, and the financed purchase matures in July 2029. The financed purchase will be paid from the safety forces special revenue fund.

**Leases Payable** Leases payable will be paid from the general fund and the safety forces and street construction, maintenance and repair special revenue funds.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2024

**Subscriptions Payable** Subscriptions payable will be paid from the safety forces special revenue fund.

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

**Net Pension/OPEB Liability** There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, law enforcement grants, the court improvement, safety forces, fire levy, street construction, maintenance and repair, park maintenance special revenue funds and the sewer enterprise fund. For additional information related to the net pension and net OPEB liabilities see Notes 11 and 12.

The City's overall legal debt margin was \$32,819,302 with an unvoted debt margin of \$16,627,100 at December 31, 2024.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2024, are as follows:

Governmental Activities:

Year			From Direct Borrowings		
			OWDA Loans		Financed Purchase
	Principal	Interest	Principal	Interest	Principal
2025	\$130,000	\$33,111	\$589,495	\$77,929	\$14,933
2026	135,000	30,069	574,863	59,393	14,933
2027	140,000	26,910	593,789	41,006	14,933
2028	140,000	23,634	186,394	25,259	14,933
2029	140,000	20,358	192,501	19,622	0
2030-2034	555,000	53,118	509,301	23,165	0
2035-2037	175,000	8,307	0	0	0
Total	<u>\$1,415,000</u>	<u>\$195,507</u>	<u>\$2,646,343</u>	<u>\$246,374</u>	<u>\$59,732</u>

Business-Type Activity:

Year	From Direct Borrowings		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2025	\$219,590	\$9,119	\$37,450
2026	127,801	5,053	24,950
2027	131,991	2,089	6,225
Total	<u>\$479,382</u>	<u>\$16,261</u>	<u>\$68,625</u>

The City has outstanding agreements to lease copiers and also has an outstanding contract for the use of a SBITA vendor's IT software, including software related to speed cameras. The future lease/subscription payments were discounted based on the interest rate implicit in the lease/subscription or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease/subscription. A summary of the principal and interest amounts for the remaining leases/subscriptions is as follows:

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2024

Year	Leases Payable		Subscriptions Payable	
	Principal	Interest	Principal	Interest
2025	\$12,084	\$235	\$18,659	\$1,341
2026	1,677	27	19,096	904
2027	0	0	19,543	457
	<u>\$13,761</u>	<u>\$262</u>	<u>\$57,298</u>	<u>\$2,702</u>

## **Note 15 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2024.

### ***Litigation***

The City of Willoughby Hills is a party to legal proceedings. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

## **Note 16 – Jointly Governed Organization**

### ***The Northeast Ohio Public Energy Council***

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Willoughby Hills did not contribute to NOPEC during 2024. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 400 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2024, the City paid RITA \$237,685 for income tax collection services.

**Note 17 – Encumbrances**

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

<b><i>Governmental Funds:</i></b>	
General	\$482,316
Safety Forces	295,778
Other Governmental Funds	697,337
Total	<u>\$1,475,431</u>
 <b><i>Proprietary Fund:</i></b>	
Sewer	<u>\$218,243</u>

**Note 18 – Tax Abatement Disclosures**

As of December 31, 2024, the City of Willoughby Hills provides tax incentive through the State of Ohio's Community Reinvestment Area Program authorized by Section 3735 of the Ohio Revised Code.

***Real Estate Tax Abatements***

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area in 2006 which includes all land within the boundaries of the City of Willoughby Hills. The City of Willoughby Hills authorizes incentives through passage of public ordinances, based upon each business' investment criteria, and through a contractual application process with each business, including proof that the improvement has been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill by the Lake County Auditor.

The establishment of the Community Reinvestment Area gives the City the ability to maintain and expand businesses located in Willoughby Hills and create new jobs by abating or reducing assessed valuation of properties. This results in additional tax revenue for the City and the School District compared to the

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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amount paid by property before being improved while abating a portion of the property taxes which result from the new and/or improved business real estate. The City of Willoughby Hills also will contract with the Willoughby-Eastlake City School District when required by Section 5709.82 of the Ohio Revised Code for payments in lieu of taxes. To date, the City has not been required to enter into any revenue sharing agreements with the School District.

***City Council's Incentive Criteria for Decision Making***

The City of Willoughby Hills has offered CRA abatements to four businesses based upon substantial project investment into the City. Below is the information relevant to the disclosure of those programs for the year ended December 31, 2024.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated (Incentives Abated) for the year 2024 (In Actual Dollars)</u>
<i>Community Reinvestment Area (CRA)</i>	
- Retail	\$1,807
- Veterinarian Rehabilitation Facility	1,414
- Senior Congregate Care	6,218

**Note 19 – Public Entity Risk Pool**

***Risk Sharing Authority***

***Property and Liability***

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. Sedgwick functions as the administrator of PEP and provides program management, underwriting, claims, risk control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by Sedgwick. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

***Casualty and Property Coverage***

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2023, (the latest information available) the Pool retained \$500,000 for casualty claims and \$250,000 for property claims. The Board of Directors and Sedgwick periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.



**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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***Financial Position***

PEP's financial statements conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2023 (the latest information available):

<u>Casualty and Property Coverage</u>	<u>2023</u>
Assets	\$67,306,752
Liabilities	<u>23,172,377</u>
Net Position - Unrestricted	<u>\$44,134,375</u>

At December 31, 2023 (the latest information available), the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position in the preceding table include approximately \$17.7 million of unpaid claims to be billed to approximately 616 member governments in the future, as of December 31, 2023. These amounts will be included in future contributions from members when the related claims are due for payment.

As indicated by PEP, the rates PEP charges to compute member contributions, which are used to pay claims as they become due, are expected to increase from those used to determine the historical contributions detailed as follows. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

The City's contributions for the past three years are as follows:

<u>Year</u>	<u>Contributions to PEP</u>
2024	\$120,941
2023	108,148
2022	97,521

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

**Note 20 – Asset Retirement Obligations**

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$20,000 associated with the City waste water treatment facilities was estimated by the City engineer. The remaining useful life of these facilities is 43 years.

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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**Note 21 – COVID-19**

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

**City of Willoughby Hills, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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## Required Supplementary Information

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

	2024	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.00983800%	0.00937400%	0.00919600%	0.01001500%	0.01113500%
City's Proportionate Share of the Net Pension Liability	\$2,575,629	\$2,769,084	\$800,089	\$1,483,004	\$2,200,908
City's Covered Payroll	\$1,619,414	\$1,453,071	\$1,337,214	\$1,410,079	\$1,419,907
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.05%	190.57%	59.83%	105.17%	155.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%	82.17%

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

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015
0.01036700%	0.01339100%	0.01447000%	0.01414600%	0.01445400%
\$2,839,311	\$2,100,788	\$3,285,891	\$2,450,266	\$1,743,290
\$1,540,686	\$1,775,877	\$1,870,633	\$1,760,608	\$1,772,050
184.29%	118.30%	175.66%	139.17%	98.38%
74.70%	84.66%	77.25%	81.08%	86.45%

**City of Willoughby Hills, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Asset*  
*Ohio Public Employees Retirement System - Combined Plan*  
*Last Seven Years (1)*

	2024	2023	2022	2021	2020
City's Proportion of the Net Pension Asset	0.00350600%	0.00332200%	0.00330500%	0.00328000%	0.00334900%
City's Proportionate Share of the Net Pension Asset	\$10,776	\$7,830	\$13,022	\$9,469	\$6,984
City's Covered Payroll	\$16,100	\$15,421	\$15,064	\$14,664	\$14,907
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-66.93%	-50.77%	-86.44%	-64.57%	-46.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	144.55%	137.14%	169.88%	157.67%	145.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information.

2019	2018
0.00324400%	0.00331500%
\$3,627	\$4,512
\$13,879	\$13,577
-26.13%	-33.23%
126.64%	137.28%



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

	2024	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability/Asset	0.00933100%	0.00898900%	0.00900200%	0.01022000%	0.01126400%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$84,214)	\$56,677	(\$281,957)	(\$182,076)	\$1,555,851
City's Covered Payroll	\$1,647,227	\$1,496,092	\$1,407,028	\$1,544,493	\$1,501,514
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.11%	3.79%	-20.04%	-11.79%	103.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%	115.57%	47.80%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.01008900%	0.01300000%	0.01406000%
\$1,315,367	\$1,411,704	\$1,420,108
\$1,646,365	\$1,848,504	\$1,942,508
79.90%	76.37%	73.11%
46.33%	54.14%	54.04%

**City of Willoughby Hills, 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*

	2024	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.11899010%	0.11741460%	0.12301190%	0.12039540%	0.11341920%
City's Proportionate Share of the Net Pension Liability	\$11,496,086	\$11,153,250	\$7,685,073	\$8,207,462	\$7,640,523
City's Covered Payroll	\$3,472,779	\$3,225,804	\$3,172,454	\$3,109,300	\$2,663,074
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	331.03%	345.75%	242.24%	263.96%	286.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%	69.89%

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

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015
0.11452100%	0.11226500%	0.11296500%	0.10940900%	0.10817300%
\$9,347,939	\$6,890,210	\$7,155,090	\$7,038,359	\$5,603,803
\$2,687,082	\$2,488,142	\$2,374,764	\$2,269,951	\$2,200,222
347.88%	276.92%	301.30%	310.07%	254.69%
63.07%	70.91%	68.36%	66.77%	71.71%

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

	2024	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.11899010%	0.11741460%	0.12301190%	0.12039540%	0.11341920%
City's Proportionate Share of the Net OPEB Liability	\$868,783	\$835,958	\$1,348,315	\$1,275,609	\$1,120,323
City's Covered Payroll	\$3,472,779	\$3,225,804	\$3,172,454	\$3,109,300	\$2,663,074
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	25.02%	25.91%	42.50%	41.03%	42.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.89%	52.59%	46.86%	45.42%	47.08%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.11452100%	0.11226500%	0.11296500%
\$1,042,889	\$6,360,779	\$5,362,195
\$2,687,082	\$2,488,142	\$2,374,764
38.81%	255.64%	225.80%
46.57%	14.13%	15.96%

**City of Willoughby Hills, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	2024	2023	2022	2021	2020
<b>Net Pension Liability - Traditional Plan</b>					
Contractually Required Contribution	\$238,494	\$226,718	\$203,430	\$187,210	\$197,411
Contributions in Relation to the Contractually Required Contribution	(238,494)	(226,718)	(203,430)	(187,210)	(197,411)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,703,529	\$1,619,414	\$1,453,071	\$1,337,214	\$1,410,079
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Asset - Combined Plan</b>					
Contractually Required Contribution	\$1,932	\$1,932	\$2,159	\$2,109	\$2,053
Contributions in Relation to the Contractually Required Contribution	(1,932)	(1,932)	(2,159)	(2,109)	(2,053)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$16,100	\$16,100	\$15,421	\$15,064	\$14,664
Pension Contributions as a Percentage of Covered Payroll	<u>12.00%</u>	<u>12.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability/Asset - OPEB Plan (1)</b>					
Contractually Required Contribution	\$2,380	\$705	\$1,104	\$2,190	\$4,790
Contributions in Relation to the Contractually Required Contribution	(2,380)	(705)	(1,104)	(2,190)	(4,790)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$1,782,565	\$1,647,227	\$1,496,092	\$1,407,028	\$1,544,493
OPEB Contributions as a Percentage of Covered Payroll	<u>0.13%</u>	<u>0.04%</u>	<u>0.07%</u>	<u>0.16%</u>	<u>0.31%</u>

(1) Information prior to 2016 is not available for the OPEB plan.

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

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015
\$198,787	\$215,696	\$230,864	\$224,476	\$211,273
(198,787)	(215,696)	(230,864)	(224,476)	(211,273)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,419,907	\$1,540,686	\$1,775,877	\$1,870,633	\$1,760,608
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>
\$2,087	\$1,943	\$1,765	\$1,593	\$1,430
(2,087)	(1,943)	(1,765)	(1,593)	(1,430)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$14,907	\$13,879	\$13,577	\$13,275	\$11,917
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>
\$2,668	\$3,672	\$20,257	\$40,022	
(2,668)	(3,672)	(20,257)	(40,022)	
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
\$1,501,514	\$1,646,365	\$1,848,504	\$1,942,508	
<u>0.18%</u>	<u>0.22%</u>	<u>1.10%</u>	<u>2.06%</u>	



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

	2024	2023	2022	2021	2020
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$768,390	\$721,117	\$675,075	\$663,516	\$644,874
Contributions in Relation to the Contractually Required Contribution	(768,390)	(721,117)	(675,075)	(663,516)	(644,874)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$3,723,750	\$3,472,779	\$3,225,804	\$3,172,454	\$3,109,300
Pension Contributions as a Percentage of Covered Payroll	<u>20.63%</u>	<u>20.76%</u>	<u>20.93%</u>	<u>20.91%</u>	<u>20.74%</u>
<b>Net OPEB Liability</b>					
Contractually Required Contribution	\$18,619	\$17,364	\$16,129	\$15,862	\$15,547
Contributions in Relation to the Contractually Required Contribution	(18,619)	(17,364)	(16,129)	(15,862)	(15,547)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.13%</u>	<u>21.26%</u>	<u>21.43%</u>	<u>21.41%</u>	<u>21.24%</u>

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

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015
\$549,369	\$551,654	\$511,058	\$491,025	\$468,382
(549,369)	(551,654)	(511,058)	(491,025)	(468,382)
\$0	\$0	\$0	\$0	\$0
\$2,663,074	\$2,687,082	\$2,488,142	\$2,374,764	\$2,269,951
20.63%	20.53%	20.54%	20.68%	20.63%
\$13,316	\$13,436	\$12,441	\$11,873	\$11,349
(13,316)	(13,436)	(12,441)	(11,873)	(11,349)
\$0	\$0	\$0	\$0	\$0
0.50%	0.50%	0.50%	0.50%	0.50%
21.13%	21.03%	21.04%	21.18%	21.13%

**City of Willoughby Hills, Ohio**  
*Notes to the Required Supplementary Information*  
For the Year Ended December 31, 2024

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

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

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

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

2024	2.3 percent, simple through 2024 then 2.05 percent, simple
2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

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

Amounts reported for 2017 through 2021 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as

**City of Willoughby Hills, Ohio**  
*Notes to the Required Supplementary Information*  
For the Year Ended December 31, 2024

2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the previously described tables.

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

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

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

	2022	2019 through 2021	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual	Individual	Individual
	Entry Age	Entry Age	Entry Age

Since 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 7, 2013, retirees as the Traditional Plan.

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

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

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

**City of Willoughby Hills, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2024*

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For 2017 and prior the investment rate of return was 8.25 percent. Beginning in 2018, the OP&F Board adopted a change in the investment rate of return, changing it from 8.25 percent for 2017 and prior to 8 percent. Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.

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

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

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

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

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

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

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

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

**City of Willoughby Hills, Ohio**  
*Notes to the Required Supplementary Information*  
For the Year Ended December 31, 2024

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**Changes in Assumptions – OPERS OPEB**

Wage Inflation:	
Beginning in 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
Beginning in 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2024	3.77 percent
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2024	5.70 percent
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2024	5.50 percent, initial 3.5 percent, ultimate in 2038
2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

**City of Willoughby Hills, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2024*

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

Blended Discount Rate:	
2024	4.07 percent
2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

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

**Changes in Benefit Terms – OPERS OPEB**

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

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

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

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**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***

To the City Council  
City of Willoughby Hills  
Lake County, Ohio  
35405 Chardon Road  
Willoughby Hills, Ohio 44094

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willoughby Hills, Lake County, Ohio (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

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

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

### **Purpose of this Report**

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

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Medina, Ohio  
June 27, 2025

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF WILLOUGHBY HILLS**

**LAKE COUNTY**

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

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



**Certified for Release 10/9/2025**

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

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