



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF WILLOWICK
LAKE COUNTY**

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LAKE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Willowick
Lake County
30435 Lakeshore Boulevard
Willowick, Ohio 44095

To the City Council:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

November 22, 2024

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City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

The discussion and analysis of the City of Willowick, Ohio's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal 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 the notes thereof.

Financial Highlights

Key financial highlights for 2023 are as follows:

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$38,942,946.
- Total assets increased \$860,840 from 2022. This increase was due to an increase in equity in pooled cash and cash equivalents.
- Total deferred outflows of resources increased by \$1,947,140 from 2022. The increase was due to the effects of GASB 68 and GASB 75.
- Total liabilities increased by \$5,121,296 from 2022. The increase was due to an increase in the net pension liability due to the effects of GASB 68.
- Total deferred inflows of resources decreased by \$3,352,626 from 2022, which was related to the effects of GASB 68 and GASB 75.
- In total, the net position in governmental activities increased by \$1,417,312 and net position in business-type activities decreased \$378,002 from 2022.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

Government-wide Financial Statements – Reporting the City of Willowick as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered.

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

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system is reported here.

Fund Financial Statements – Reporting the City of Willowick'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 objects. 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 funds, proprietary funds, and fiduciary funds.

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, for the general fund, municipal tax increment equivalent debt service fund, and the capital improvement capital projects fund, which are considered to be major funds.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources 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 does not have any fiduciary funds.

Notes to the Financial Statements

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

Government-wide Financial Analysis – City of Willowick as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets and Deferred Outflows of Resources
- Liabilities and Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Expenses and Revenues
- General Revenues
- Transfers
- Net Position Beginning and End of Year

Table 1 provides a summary of the City's net position for 2023 as compared to 2022.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 22,848,921	\$ 20,321,249	\$ 1,926,869	\$ 2,083,795	\$ 24,775,790	\$ 22,405,044
Capital assets, net	27,391,050	28,129,547	6,576,736	6,775,712	33,967,786	34,905,259
Net pension asset	40,231	52,492	4,469	5,833	44,700	58,325
Net OPEB asset	-	502,927	-	55,881	-	558,808
<i>Total assets</i>	<u>50,280,202</u>	<u>49,006,215</u>	<u>8,508,074</u>	<u>8,921,221</u>	<u>58,788,276</u>	<u>57,927,436</u>
Deferred outflows of resources:						
Pension	4,832,313	3,194,322	226,340	105,725	5,058,653	3,300,047
OPEB	745,977	586,573	34,170	5,040	780,147	591,613
<i>Total deferred outflows of resources</i>	<u>5,578,290</u>	<u>3,780,895</u>	<u>260,510</u>	<u>110,765</u>	<u>5,838,800</u>	<u>3,891,660</u>
Liabilities:						
Current liabilities	1,836,593	1,998,367	701,383	499,561	2,537,976	2,497,928
Long-term liabilities:						
Due within one year	759,395	924,882	74,283	96,512	833,678	1,021,394
Other long-term liabilities	1,766,193	1,786,246	330,096	507,293	2,096,289	2,293,539
Net pension liability	11,771,882	6,434,278	529,387	162,393	12,301,269	6,596,671
Net OPEB liability	623,181	872,449	10,884	-	634,065	872,449
<i>Total liabilities</i>	<u>16,757,244</u>	<u>12,016,222</u>	<u>1,646,033</u>	<u>1,265,759</u>	<u>18,403,277</u>	<u>13,281,981</u>
Deferred inflows of resources:						
Property taxes	4,494,760	4,466,490	-	-	4,494,760	4,466,490
Payments in lieu of taxes	633,268	466,340	-	-	633,268	466,340
Pension	1,065,575	4,002,003	9,556	212,085	1,075,131	4,214,088
OPEB	719,905	1,041,614	3,880	67,025	723,785	1,108,639
Leases	353,909	377,922	-	-	353,909	377,922
<i>Total deferred inflows of resources</i>	<u>7,267,417</u>	<u>10,354,369</u>	<u>13,436</u>	<u>279,110</u>	<u>7,280,853</u>	<u>10,633,479</u>
Net position:						
Net investment in capital assets	26,099,503	26,683,222	6,259,922	6,122,701	32,359,425	32,805,923
Restricted for:						
Capital projects	2,968,686	2,768,095	-	-	2,968,686	2,768,095
Debt service	1,867,689	1,426,408	-	-	1,867,689	1,426,408
Other purposes	3,122,630	2,825,208	-	-	3,122,630	2,825,208
Pension/OPEB	241,042	-	26,781	-	267,823	-
Unrestricted	(2,465,719)	(3,286,414)	822,412	1,364,416	(1,643,307)	(1,921,998)
<i>Total net position</i>	<u>\$ 31,833,831</u>	<u>\$ 30,416,519</u>	<u>\$ 7,109,115</u>	<u>\$ 7,487,117</u>	<u>\$ 38,942,946</u>	<u>\$ 37,903,636</u>

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

The City follows Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pensions and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension/OPEB, the net pension/OPEB liability to the reported net position and subtracting deferred outflows related to pension/OPEB and the net pension/OPEB asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension/OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension/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/OPEB. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should, accordingly, be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

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/OPEB liability. As explained above, changes in pension 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/OPEB liability is 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 the accrual basis of accounting include an annual pension/OPEB expense for their proportionate share of each plan's change in net pension/OPEB liability and net pension/OPEB asset not accounted for as deferred inflows/outflows.

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the net pension liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2023 is \$1,636,237, while in 2022 pension expense was \$(63,812).

Under GASB 75, OPEB expense represents additional amounts earned based on a proportionate share of the net OPEB liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 75, the OPEB expense for 2023 is \$(239,632), while in 2022 OPEB expense was \$(592,209).

The largest portion of the City's net position reflects its net investment in capital assets. Capital assets include construction in progress, land, land improvements, buildings and improvements, machinery and equipment, right-to-use assets, and infrastructure. The City uses those capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2023, was \$32,359,425. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

An additional portion of the City's net position, \$8,226,828 represents resources that have been restricted on how they may be used.

The total net position of the City increased \$1,039,310 from 2022 as revenues continued outpacing expenses even after expenses increased \$4.5 million.

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

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

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,115,749	\$ 1,097,168	\$ 3,485,466	\$ 2,920,256	\$ 4,601,215	\$ 4,017,424
Operating grants and contributions	563,223	412,372	204,511	155,386	767,734	567,758
Capital grants and contributions	<u>758,495</u>	<u>264,909</u>	<u>371,636</u>	<u>120,531</u>	<u>1,130,131</u>	<u>385,440</u>
Total program revenues	<u>2,437,467</u>	<u>1,774,449</u>	<u>4,061,613</u>	<u>3,196,173</u>	<u>6,499,080</u>	<u>4,970,622</u>
General revenues:						
Property and other local taxes	4,962,970	4,887,205	-	-	4,962,970	4,887,205
Municipal income tax	4,732,860	4,312,592	-	-	4,732,860	4,312,592
Grants and entitlements not restricted to specific programs	3,570,283	3,445,430	-	-	3,570,283	3,445,430
Earnings (loss) on investments	471,832	(51,563)	-	-	471,832	(51,563)
Miscellaneous	<u>604,663</u>	<u>303,863</u>	<u>226</u>	<u>-</u>	<u>604,889</u>	<u>303,863</u>
Total general revenues	<u>14,342,608</u>	<u>12,897,527</u>	<u>226</u>	<u>-</u>	<u>14,342,834</u>	<u>12,897,527</u>
Total revenues	<u>16,780,075</u>	<u>14,671,976</u>	<u>4,061,839</u>	<u>3,196,173</u>	<u>20,841,914</u>	<u>17,868,149</u>
Program expenses:						
General government	2,691,217	2,218,361	-	-	2,691,217	2,218,361
Security of persons and property	7,416,061	6,033,240	-	-	7,416,061	6,033,240
Public health and welfare	145,924	141,548	-	-	145,924	141,548
Transportation	2,785,355	2,577,157	-	-	2,785,355	2,577,157
Leisure time activities	1,504,533	778,188	-	-	1,504,533	778,188
Community development	582,844	352,078	-	-	582,844	352,078
Basic utility services	182,748	200,506	-	-	182,748	200,506
Interest and fiscal charges	18,761	23,751	-	-	18,761	23,751
Sewer	-	-	<u>4,475,161</u>	<u>2,934,284</u>	<u>4,475,161</u>	<u>2,934,284</u>
Total program expenses	<u>15,327,443</u>	<u>12,324,829</u>	<u>4,475,161</u>	<u>2,934,284</u>	<u>19,802,604</u>	<u>15,259,113</u>
Transfer	<u>(35,320)</u>	<u>(86,139)</u>	<u>35,320</u>	<u>86,139</u>	<u>-</u>	<u>-</u>
Change in net position	1,417,312	2,261,008	(378,002)	348,028	1,039,310	2,609,036
Net position beginning of year	<u>30,416,519</u>	<u>28,155,511</u>	<u>7,487,117</u>	<u>7,139,089</u>	<u>37,903,636</u>	<u>35,294,600</u>
Net position end of year	\$ <u>31,833,831</u>	\$ <u>30,416,519</u>	\$ <u>7,109,115</u>	\$ <u>7,487,117</u>	\$ <u>38,942,946</u>	\$ <u>37,903,636</u>

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

Governmental Activities

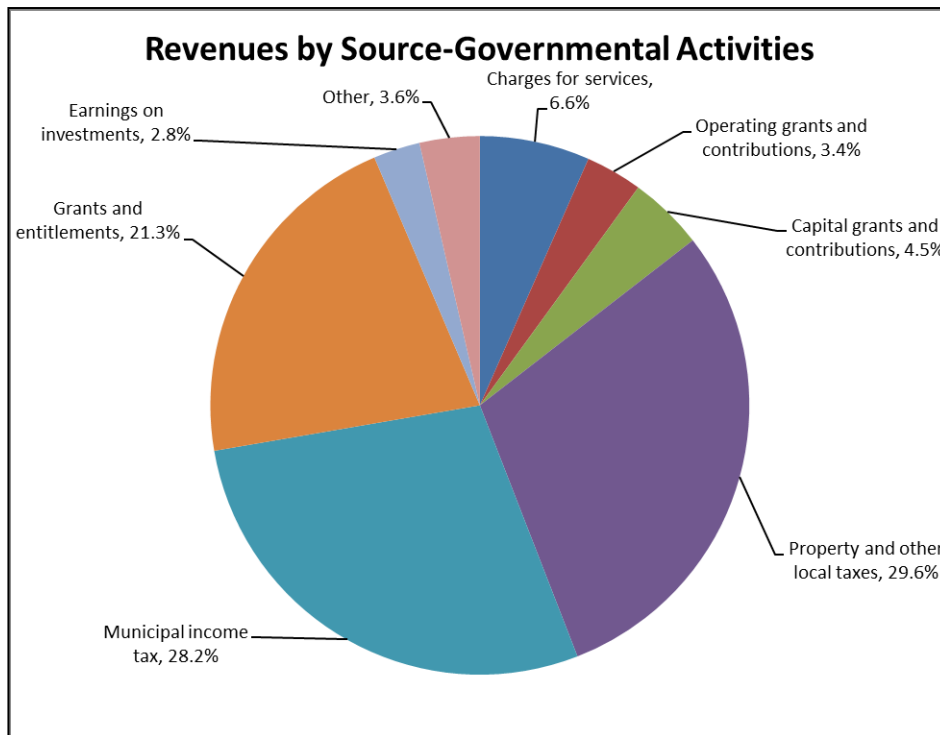
Several revenue sources fund the governmental activities with the City's property and other local taxes being the largest contributor. Property and other local taxes, accounted for \$4,962,970 of the governmental revenue in 2023. Property and other local taxes increased by \$75,765 in 2023.

The City's income tax revenue source is the second largest contributor with a rate of 2% on gross income, remaining unchanged since 1997. Residents of the City who work in another community and pay the withholding tax for that community receive an 87.5% tax credit up to a maximum of 2%. During 2023, the revenue generated from this tax amounted to \$4,732,860, representing an increase of \$420,268.

Capital grants increased compared to the prior year as the City received a \$450,000 stormwater reimbursement from the County.

Revenue received from earning on investments was \$471,832, which represents an increase of \$523,395 from 2022, due to changes in market values.

The City's grants and entitlements are the third largest contributor. Grants and entitlements, which include local government funds, accounted for \$3,570,283 of the governmental revenue in 2023. Grants and entitlements increased by \$124,853 in 2023.



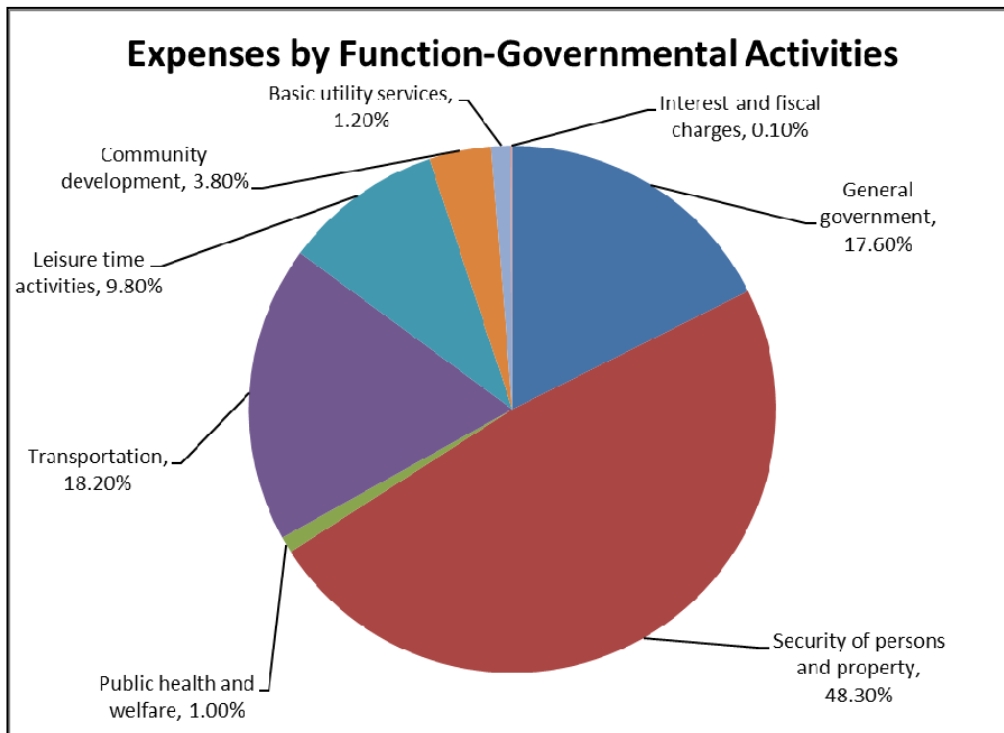
Total program expenses for governmental activities were \$15,327,443 in 2023, representing an increase of \$3,002,614 from 2022. The majority of this increase can be attributed to an increase in security of persons and property and leisure time activities expenses, which are further explained on the next page.

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
 For the Year Ended December 31, 2023

Security of persons and property represented 48% of the governmental expenses. During 2023, \$7,416,061 was spent for this program, representing an increase of \$1,382,821 from the previous period. The majority of the increase relates to the impact of recording the City's proportionate share of the OP&F net pension and net OPEB liabilities. At December 31, 2023, there are 22 full-time and one part-time sworn officers in the Police Department. The majority of the cost of operating the department comes from the general fund. In addition to the department's operational costs, capital equipment and improvements are funded from the police and fire capital improvement levy. The Fire Department consists of one full-time Chief and 60 part-time firefighters, of which 50 are full-trained paramedics. The department handled 2,390 calls for assistance of which approximately 1,861 were for EMS and 529 were for fire and fire-related incidents. The total cost of operating the Fire Department was split between the general fund (55%) and the EMS levy fund (45%). In addition to the operational costs, capital equipment and improvements are funded from the police and fire capital improvement levy and the EMS levy funds.

Leisure time activities increased \$726,345 compared to the prior year. The majority of this increase was due to changes in the OPERS pension/OPEB plans.

General government costs accounted for program expenses totaling 18% of the 2023 governmental expenses. In 2023, general government costs were \$2,691,217, representing an increase of \$472,856 as compared to 2022. The majority of the increase relates to the increase in pension/OPEB expense as part of the City recording its portion of the unfunded net pension and OPEB liabilities in the prior year.



City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

Business-Type Activities

The business-type activities of the City, which include the City's sewer operations, decreased the City's net position by \$378,002. Revenues increased in 2023 due to rate increases for user consumption charges. Expenses for sewer operations increased in 2023 due to rate increases passed by the City of Euclid for sewer treatment costs and more sewer maintenance projects in the current year compared to the prior year.

The City's Funds

Governmental Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$17,223,039 and expenditures and other financing uses of \$14,853,915.

At the end of 2023, the City's governmental funds reported combined ending fund balances of \$13,037,531, an increase of \$2,369,124 as revenues outpaced expenditures. Of the total amount, \$5,148,161 is unassigned at year-end.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than fiduciary funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held Council meeting, which is open to the public, the budget is adopted by City Council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The Finance Department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the general fund, original revenues and other financing sources were \$132,756 less than the final budget estimate. Actual revenues and other financing sources were \$1,502,806 more than the final budget estimates of \$9,123,047. The increase from the final budget to the actual revenues was mainly caused by an increase in municipal income taxes.

The final appropriations increased \$1,050,286 from original appropriations due to an increase in advances out, and general government and security of persons and property expenditures. The final appropriations of \$10,603,057, including other financing uses, was sufficient to meet the expenditures for the year, which ended up at \$10,220,709 or \$382,348 less than anticipated due to a decrease in general government and security of persons and property expenditures.

Business-Type Funds

The City's major Enterprise fund consists of the sewer fund. The basic financial statements for the major fund are included in this report. Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the sewer fund. The basic proprietary fund financial statements can be found on pages 29 through 32 of this report.

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

Capital Assets and Debt Administration

Capital Assets

At the end of 2023, the City had \$33,967,786 invested in land and land improvements, buildings and improvements, machinery and equipment, right-to-use assets, and infrastructure, net of accumulated depreciation. Capital assets for governmental activities account for \$27,391,050 and business-type activities account for \$6,576,736 of the City's total net capital assets.

Governmental activities reported a decrease of \$738,497 in capital assets. Capital asset additions for governmental activities totaling \$818,797 were offset by \$1,437,466 of depreciation expense and deletions of \$119,828. Capital assets for business-type activities decreased \$198,976. Capital asset additions for business-type activities totaling \$38,337 outpaced depreciation expense of \$237,313.

Table 3 shows fiscal year 2023 balances of capital assets as compared to 2022:

Table 3
Capital Assets at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Construction in progress	\$ 874,930	\$ 1,043,882	\$ -	\$ 166,298	\$ 874,930	\$ 1,210,180
Land and land improvements	2,169,837	2,220,841	-	-	2,169,837	2,220,841
Buildings and improvements	10,399,046	10,007,693	-	-	10,399,046	10,007,693
Machinery and equipment	6,848,385	6,813,274	1,172,195	1,136,875	8,020,580	7,950,149
Right-to-use asset	27,030	27,030	-	-	27,030	27,030
Infrastructure	35,316,834	34,971,463	12,390,867	12,221,552	47,707,701	47,193,015
Less: Accumulated depreciation	<u>(28,245,012)</u>	<u>(26,954,636)</u>	<u>(6,986,326)</u>	<u>(6,749,013)</u>	<u>(35,231,338)</u>	<u>(33,703,649)</u>
Total capital assets	<u>\$ 27,391,050</u>	<u>\$ 28,129,547</u>	<u>\$ 6,576,736</u>	<u>\$ 6,775,712</u>	<u>\$ 33,967,786</u>	<u>\$ 34,905,259</u>

The City's largest capital asset category is infrastructure which includes roads, bridges, curbs and gutters, sidewalks, traffic signals and cameras and storm sewers.

Major capital asset events for 2023 include the following:

- New air conditioner units at Senior/Community Center
- Two new police vehicles
- E. 328th storm sewer main and manhole rehabilitation

For additional information related to capital assets, see Note 7.

City of Willowick, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2023

Debt

At December 31, 2023, the City of Willowick had \$15,865,301 in outstanding debt, compensated absences, and pension/OPEB obligations. Table 4 summarizes the outstanding long-term obligations of the City.

Table 4
 Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Long-term notes payable	\$ -	\$ -	\$ -	\$ 138,635	\$ -	\$ 138,635
OPWC loan payable	368,676	402,743	346,814	382,694	715,490	785,437
Financed purchases	740,145	851,314	-	-	740,145	851,314
Leases	9,435	18,615	-	-	9,435	18,615
Compensated absences	1,407,332	1,438,456	57,565	82,476	1,464,897	1,520,932
Net pension liability	11,771,882	6,434,278	529,387	162,393	12,301,269	6,596,671
Net OPEB liability	<u>623,181</u>	<u>872,449</u>	<u>10,884</u>	<u>-</u>	<u>634,065</u>	<u>872,449</u>
Total	\$ <u>14,920,651</u>	\$ <u>10,017,855</u>	\$ <u>944,650</u>	\$ <u>766,198</u>	\$ <u>15,865,301</u>	\$ <u>10,784,053</u>

State law limits the amount of debt a City can issue in general obligation bonds to 10.5% of tax valuation. The City had a tax valuation of \$303,457,220 at the end of 2023. The City has borrowed approximately 3.37% of its debt limitation. The OPWC loans, compensated absences, and net pension/OPEB liability balances included in the above total are not subject to the limitation.

The City has financed purchases for the purchase of police SUVs, an ambulance, a 911-dispatch system, and a fire truck. Other obligations include accrued vacation pay and sick leave (compensated absences) and the net pension/OPEB liability. More detailed information about the City's long-term liabilities is presented in Note 8 through Note 12 to the basic financial statements.

Current Related Financial Activities

Management is committed to providing the residents of the City of Willowick with full disclosure of the financial position of the City.

The City's management team works extremely hard at living within the City's means and keeping its debt low. Over the past several years the City has taken out several 20-year, zero-interest loans through the Ohio Public Works Commission (OPWC). The Administration continues to look for the most cost-effective means of financing infrastructure projects in the City and the OPWC loans allow the City to do that without the financing costs.

The Mayor, Council, and Directors do an outstanding job monitoring and adjusting the work force to be fiscally responsible while providing the level of benefits that are essential for our residents.

Contacting the City of Willowick's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Cheryl Benedict, City of Willowick, 30435 Lakeshore Boulevard, Willowick, Ohio 44095, telephone (440) 585-3700, or web site at www.cityofwillowick.com.

City of Willowick, Ohio

Statement of Net Position

December 31, 2023

	Governmental Activities	Business- Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 12,155,981	\$ 644,330	\$ 12,800,311
Restricted equity in pooled cash and cash equivalent	65,044	-	65,044
Taxes receivable	6,182,765	-	6,182,765
Accounts receivable	804,150	1,905,943	2,710,093
Accrued interest receivable	13,672	-	13,672
Internal balances	844,342	(844,342)	-
Intergovernmental receivable	2,155,457	184,008	2,339,465
Special assessments receivable	51,048	35,700	86,748
Materials and supplies inventory	44,215	1,230	45,445
Prepaid items	158,562	-	158,562
Lease receivable	373,685	-	373,685
Nondepreciable capital assets	1,997,003	-	1,997,003
Depreciable capital assets, net	25,394,047	6,576,736	31,970,783
Net pension asset	40,231	4,469	44,700
Total assets	50,280,202	8,508,074	58,788,276
Deferred outflows of resources:			
Pension	4,832,313	226,340	5,058,653
OPEB	745,977	34,170	780,147
Total deferred outflows for resources	5,578,290	260,510	5,838,800
Liabilities:			
Accounts payable	509,201	451,260	960,461
Accrued wages and benefits	333,259	12,530	345,789
Mature compensated absences	57,579	-	57,579
Intergovernmental payable	56,085	237,593	293,678
Unearned revenues	805,106	-	805,106
Accrued interest payable	10,719	-	10,719
Deposits held and due to others – restricted	64,644	-	64,644
Long-term liabilities:			
Due within one year	759,395	74,283	833,678
Due in more than one year:			
Other amounts due in more than one year	1,766,193	330,096	2,096,289
Net pension liability	11,771,882	529,387	12,301,269
Net OPEB liability	623,181	10,884	634,065
Total liabilities	16,757,244	1,646,033	18,403,277
Deferred inflows of resources:			
Property taxes	4,494,760	-	4,494,760
Payments in lieu of taxes	633,268	-	633,268
Pension	1,065,575	9,556	1,075,131
OPEB	719,905	3,880	723,785
Lease	353,909	-	353,909
Total deferred inflows of resources	7,267,417	13,436	7,280,853
Net position:			
Net investment in capital assets	26,099,503	6,259,922	32,359,425
Restricted for:			
Capital projects	2,968,686	-	2,968,686
Debt service	1,867,689	-	1,867,689
Other purposes	3,122,630	-	3,122,630
Pension/OPEB	241,042	26,781	267,823
Unrestricted	(2,465,719)	822,412	(1,643,307)
Total net position	\$ 31,833,831	\$ 7,109,115	\$ 38,942,946

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Statement of Activities

For the Year Ended December 31, 2023

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,691,217	\$ 114,459	\$ 392,349	\$ 661,907
Security of persons and property	7,416,061	462,286	24,374	-
Public health and welfare	145,924	-	-	-
Transportation	2,785,355	-	-	96,588
Leisure time activities	1,504,533	208,056	-	-
Community development	582,844	330,948	146,500	-
Basic utility services	182,748	-	-	-
Interest and fiscal charges	18,761	-	-	-
Total governmental activities	<u>15,327,443</u>	<u>1,115,749</u>	<u>563,223</u>	<u>758,495</u>
Business-type activities:				
Sewer	<u>4,475,161</u>	<u>3,485,466</u>	<u>204,511</u>	<u>371,636</u>
Totals	<u>\$ 19,802,604</u>	<u>\$ 4,601,215</u>	<u>\$ 767,734</u>	<u>\$ 1,130,131</u>

General revenues:

Property and other local taxes levied for:

 General purposes

Municipal income taxes levied for:

 General purposes

Grants and entitlements not restricted to specific programs

Earnings on investments

Gain on sale of capital assets

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,522,502)	\$ -	\$ (1,522,502)
(6,929,401)	-	(6,929,401)
(145,924)	-	(145,924)
(2,688,767)	-	(2,688,767)
(1,296,477)	-	(1,296,477)
(105,396)	-	(105,396)
(182,748)	-	(182,748)
(18,761)	-	(18,761)
<u>(12,889,976)</u>	<u>-</u>	<u>(12,889,976)</u>
-	(413,548)	(413,548)
<u>(12,889,976)</u>	<u>(413,548)</u>	<u>(13,303,524)</u>
4,962,970	-	4,962,970
4,732,860	-	4,732,860
3,570,283	-	3,570,283
471,832	-	471,832
372,311	-	372,311
<u>232,352</u>	<u>226</u>	<u>232,578</u>
14,342,608	226	14,342,834
<u>(35,320)</u>	<u>35,320</u>	<u>-</u>
<u>14,307,288</u>	<u>35,546</u>	<u>14,342,834</u>
1,417,312	(378,002)	1,039,310
<u>30,416,519</u>	<u>7,487,117</u>	<u>37,903,636</u>
<u>\$ 31,833,831</u>	<u>\$ 7,109,115</u>	<u>\$ 38,942,946</u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Balance Sheet
Governmental Funds

December 31, 2023

	General	Municipal Tax Increment Equivalent
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,145,779	\$ 1,766,793
Restricted equity in pooled cash and cash equivalents	-	-
Taxes receivable	4,119,258	-
Accounts receivable	610,194	-
Accrued interest receivable	13,672	-
Lease receivable	373,685	-
Intergovernmental receivable	780,242	682,326
Special assessments receivable	51,048	-
Interfund receivable	601,842	-
Prepaid items	155,502	-
Materials and supplies inventory	11,231	-
Advances to other funds	280,000	-
Total assets	\$ <u>11,142,453</u>	\$ <u>2,449,119</u>
Liabilities:		
Accounts payable	\$ 256,166	\$ -
Accrued wages and benefits	233,380	-
Mature compensated absences	57,579	-
Intergovernmental payable	48,576	-
Unearned revenues	-	-
Deposits held and due to others - restricted	-	-
Interfund payables	-	-
Total liabilities	<u>595,701</u>	<u>-</u>
Deferred inflows of resources:		
Property taxes	2,464,871	-
Payments in lieu of taxes	-	633,268
Unavailable revenue	1,733,795	49,058
Lease	353,909	-
Total deferred inflows of resources	<u>4,552,575</u>	<u>682,326</u>
Fund balances:		
Nonspendable	446,733	-
Restricted	-	1,766,793
Committed	296,328	-
Assigned	102,955	-
Unassigned	5,148,161	-
Total fund balances	<u>5,994,177</u>	<u>1,766,793</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>11,142,453</u>	\$ <u>2,449,119</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ 2,875,590	\$ 3,367,819	\$ 12,155,981
-	65,044	65,044
1,140,983	922,524	6,182,765
-	193,956	804,150
-	-	13,672
-	-	373,685
168,707	524,182	2,155,457
-	-	51,048
-	-	601,842
-	3,060	158,562
-	32,984	44,215
-	-	280,000
<u>\$ 4,185,280</u>	<u>\$ 5,109,569</u>	<u>\$ 22,886,421</u>
\$ 197,285	\$ 55,750	\$ 509,201
-	99,879	333,259
-	-	57,579
5,254	2,255	56,085
-	805,106	805,106
-	64,644	64,644
37,500	-	37,500
<u>240,039</u>	<u>1,027,634</u>	<u>1,863,374</u>
1,122,422	907,467	4,494,760
-	-	633,268
187,268	533,458	2,503,579
-	-	353,909
<u>1,309,690</u>	<u>1,440,925</u>	<u>7,985,516</u>
-	36,044	482,777
2,608,333	2,604,966	6,980,092
-	-	296,328
27,218	-	130,173
-	-	5,148,161
<u>2,635,551</u>	<u>2,641,010</u>	<u>13,037,531</u>
<u>\$ 4,185,280</u>	<u>\$ 5,109,569</u>	<u>\$ 22,886,421</u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

December 31, 2023

Total governmental funds balances \$ 13,037,531

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. 27,391,050

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.

Property and other taxes	\$	103,673
Municipal income taxes		927,337
Intergovernmental		1,146,291
Special assessments		51,048
Investment earnings		12,192
Charges for services		<u>263,038</u>

Total 2,503,579

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (10,719)

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

Loans payable	(368,676)
Financed purchases	(740,145)
Lease liability	(9,435)
Compensated absences	<u>(1,407,332)</u>

Total (2,525,588)

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

Net pension asset	40,231
Deferred outflows	4,832,313
Net pension liability	(11,771,882)
Deferred inflows	<u>(1,065,575)</u>

Total (7,964,913)

(Continued)

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities (continued)

December 31, 2023

The net OPEB liability is not due in the current period; therefore, the liability and related deferred outflows/inflows are not reported in governmental funds.

Deferred outflows	745,977	
Net OPEB liability	(623,181)	
Deferred inflows	<u>(719,905)</u>	
Total		<u>(597,109)</u>
<i>Net position of governmental activities</i>		\$ <u><u>31,833,831</u></u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2023

	General	Municipal Tax Increment Equivalent
Revenues:		
Property taxes	\$ 2,639,346	\$ -
Municipal income taxes	4,659,776	-
Other local taxes	173,985	-
Intergovernmental	1,648,588	736,473
Charges for services	408,237	-
License and permits	326,002	-
Fines and forfeitures	63,206	-
Special assessments	42,336	-
Earnings on investments	398,541	-
Miscellaneous	126,927	-
Total revenues	<u>10,486,944</u>	<u>736,473</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	5,147,324	-
Public health and welfare	145,924	-
Leisure time activities	1,115,255	-
Community development	351,073	-
Basic utility services	7,576	89,536
Transportation	233,245	-
General government	2,022,502	221,594
Capital outlay	-	-
Debt service:		
Principal retirement	8,509	-
Interest and fiscal charges	1,607	-
Total expenditures	<u>9,033,015</u>	<u>311,130</u>
Excess of revenue over (under) expenditures	<u>1,453,929</u>	<u>425,343</u>
Other financing sources (uses):		
Inception of financed purchases	-	-
Proceeds from sale of capital assets	464,945	-
Transfers – in	-	-
Transfers – out	(375,000)	-
Total other financing sources (uses)	<u>89,945</u>	<u>-</u>
Net change in fund balance	1,543,874	425,343
Fund balance, beginning of year	<u>4,450,303</u>	<u>1,341,450</u>
Fund balance, end of year	<u>\$ 5,994,177</u>	<u>\$ 1,766,793</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ 1,203,409	\$ 971,699	\$ 4,814,454
-	-	4,659,776
-	-	173,985
693,818	1,741,100	4,819,979
-	265,139	673,376
-	-	326,002
-	3,329	66,535
-	-	42,336
-	69,633	468,174
-	89,215	216,142
<u>1,897,227</u>	<u>3,140,115</u>	<u>16,260,759</u>
251,516	1,434,274	6,833,114
-	-	145,924
14,662	63,444	1,193,361
-	175,390	526,463
245,097	199,298	541,507
894,206	642,586	1,770,037
85,229	16,960	2,346,285
364,835	477,639	842,474
215,610	34,738	258,857
18,694	592	20,893
<u>2,089,849</u>	<u>3,044,921</u>	<u>14,478,915</u>
<u>(192,622)</u>	<u>95,194</u>	<u>1,781,844</u>
104,441	-	104,441
17,894	-	482,839
-	375,000	375,000
-	-	(375,000)
<u>122,335</u>	<u>375,000</u>	<u>587,280</u>
(70,287)	470,194	2,369,124
<u>2,705,838</u>	<u>2,170,816</u>	<u>10,668,407</u>
<u>\$ 2,635,551</u>	<u>\$ 2,641,010</u>	<u>\$ 13,037,531</u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2023

Net change in fund balances – total governmental funds \$ 2,369,124

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

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

Capital outlay	\$ 818,797	
Depreciation	<u>(1,437,466)</u>	
Total		(618,669)

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. (119,828)

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

Property and other taxes	(25,469)	
Municipal income taxes	73,084	
Intergovernmental	87,132	
Special assessments	2,623	
Investment income	3,658	
Charges for services	<u>5,977</u>	
Total		147,005

Repayment of finance purchase, loan and lease principal are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Position. 258,857

(Continued)

City of Willowick, Ohio

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (continued)

For the Year Ended December 31, 2023

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position.

Financed purchases		(104,441)
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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	31,124	
Interest and fiscal charges	2,132	
Total	<u>33,256</u>	33,256

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

789,622

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

(1,337,614)

Change in net position of governmental activities

\$ 1,417,312

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

For the Year Ended December 31, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 2,545,250	\$ 2,545,250	\$ 2,639,346	\$ 94,096
Municipal income taxes	3,660,000	3,660,000	4,602,805	942,805
Other local taxes	200,000	200,000	176,813	(23,187)
Intergovernmental	1,539,500	1,539,500	1,666,058	126,558
Charges for services	389,650	389,650	430,756	41,106
Licenses and permits	282,500	282,500	326,343	43,843
Fines and forfeitures	60,100	60,100	63,206	3,106
Special assessments	4,000	42,689	42,336	(353)
Investment income	75,000	75,000	291,652	216,652
Miscellaneous	11,450	55,517	94,558	39,041
Total revenues	<u>8,767,450</u>	<u>8,850,206</u>	<u>10,333,873</u>	<u>1,483,667</u>
Expenditures:				
Current operations:				
Security of persons and property	4,900,875	5,188,030	5,019,072	168,958
Public health and welfare	150,000	146,000	145,924	76
Leisure time activities	1,121,027	1,183,577	1,130,980	52,597
Community development	366,540	369,790	357,236	12,554
Basic utility services	4,000	6,200	4,437	1,763
Transportation	239,405	244,505	232,360	12,145
General government	2,165,924	2,352,455	2,218,200	134,255
Total expenditures	<u>8,947,771</u>	<u>9,490,557</u>	<u>9,108,209</u>	<u>382,348</u>
Excess of revenue (under) over expenditures	<u>(180,321)</u>	<u>(640,351)</u>	<u>1,225,664</u>	<u>1,866,015</u>
Other financing sources (uses):				
Sale of assets	5,000	5,000	24,139	19,139
Advances – in	217,841	267,841	267,841	-
Advances – out	(280,000)	(737,500)	(737,500)	-
Transfers – out	(325,000)	(375,000)	(375,000)	-
Total other financing uses	<u>(382,159)</u>	<u>(839,659)</u>	<u>(820,520)</u>	<u>19,139</u>
Net change in fund balance	(562,480)	(1,480,010)	405,144	1,885,154
Fund balance at beginning of year	3,182,160	3,182,160	3,182,160	-
Prior fiscal year encumbrances	<u>131,864</u>	<u>131,864</u>	<u>131,864</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,751,544</u>	<u>\$ 1,834,014</u>	<u>\$ 3,719,168</u>	<u>\$ 1,885,154</u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Statement of Fund Net Position Proprietary Fund

December 31, 2023

	Business-Type Activities <u>Sewer</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 644,330
Special assessments receivable	35,700
Accounts receivable	1,905,943
Intergovernmental	184,008
Inventory	1,230
Total current assets	<u>2,771,211</u>
Non-current assets:	
Depreciable capital assets, net	6,576,736
Net pension asset	4,469
Total non-current assets	<u>6,581,205</u>
Total assets	<u>9,352,416</u>
Deferred outflows of resources:	
Pension	226,340
OPEB	34,170
Total deferred outflows of resources	<u>260,510</u>
Liabilities:	
Current liabilities:	
Accounts payable	451,260
Accrued wages and benefits	12,530
Interfund payable	564,342
Intergovernmental payable	237,593
Accrued compensated absences	56,343
Loans payable	17,940
Total current liabilities	<u>1,340,008</u>
Long-term liabilities (net of current portion):	
Accrued compensated absences	1,222
Loans payable	328,874
Advances from other funds	280,000
Net pension liability	529,387
Net OPEB liability	10,884
Total long-term liabilities	<u>1,150,367</u>
Total liabilities	<u>2,490,375</u>
Deferred inflows of resources:	
Pension	9,556
OPEB	3,880
Total deferred inflows of resources	<u>13,436</u>
Net position:	
Net investment in capital assets	6,259,922
Restricted for pension/OPEB	26,781
Unrestricted	822,412
Total net position	<u>\$ 7,109,115</u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund

For the Year Ended December 31, 2023

	Business-Type Activities <u>Sewer</u>
Operating revenues:	
Charges for services	\$ <u>3,449,117</u>
Operating expenses:	
Personal services	433,440
Contractual services	3,796,723
Materials and supplies	1,574
Depreciation	<u>237,313</u>
Total operating expenses	<u>4,469,050</u>
Operating loss	<u>(1,019,933)</u>
Non-operating revenue (expenses):	
Special assessments	36,231
Intergovernmental	576,147
Other revenue	344
Interest and fiscal charges	<u>(6,111)</u>
Total non-operating revenues	<u>606,611</u>
Loss before capital contributions	(413,322)
Capital contributions	<u>35,320</u>
Change in net position	(378,002)
Net position, beginning of year	<u>7,487,117</u>
Net position, end of year	\$ <u><u>7,109,115</u></u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Statement of Cash Flows Proprietary Fund

For the Year Ended December 31, 2023

	Business-Type Activities <u>Sewer</u>
<i>Increase (decrease) in cash and cash equivalents:</i>	
Cash flows from operating activities	
Cash received from customers	\$ 2,887,828
Cash payments for goods and services	(3,542,603)
Cash payments to employees for services	(443,604)
Cash payments for materials and supplies	(363)
<i>Net cash used by operating activities</i>	<u>(1,098,742)</u>
Cash flows from non-capital financing activities	
Special assessments	36,231
Principal paid on debt	(2,500)
Other revenue	244
<i>Net cash provided by non-capital financing activities</i>	<u>33,975</u>
Cash flows from capital and related financing activities	
Principal paid on debt	(216,680)
Acquisition and construction of assets	(3,017)
Intergovernmental revenue	561,613
Advances-in	838,635
Advances-out	(50,000)
Interest paid	(3,199)
<i>Net cash provided by capital and related financing activities</i>	<u>1,127,352</u>
Net increase in cash and cash equivalents	62,585
Cash and cash equivalents, beginning of year	<u>581,745</u>
Cash and cash equivalents, end of year	<u>\$ 644,330</u>

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Statement of Cash Flows Proprietary Fund (continued)

For the Year Ended December 31, 2023

	<u>Business-Type Activities</u> <u>Sewer</u>
<i>Reconciliation of operating loss to net cash from operating activities:</i>	
Operating loss	\$ (1,019,933)
Adjustments:	
Depreciation	237,313
Changes in assets/liabilities:	
Increase in accounts receivable	(561,289)
Decrease in inventory	1,092
Decrease in net pension asset	1,364
Decrease in net OPEB asset	55,881
Increase in deferred outflows – pension	(120,615)
Increase in deferred outflows – OPEB	(29,130)
Increase in accounts payable	173,381
Decrease in accrued wages and benefits	(5,084)
Decrease in compensated absences payable	(24,911)
Increase in due to other governments	80,985
Increase in net pension liability	366,994
Increase in net OPEB liability	10,884
Decrease in deferred inflows – pension	(202,529)
Decrease in deferred inflows – OPEB	<u>(63,145)</u>
Total adjustments	<u>(78,809)</u>
Net cash used by operating activities	\$ <u><u>(1,098,742)</u></u>
Non-cash and related capital financing activities:	
Capital assets contributed from governmental funds	\$ 35,320

The accompanying notes are an integral part of these financial statements

City of Willowick, Ohio

Notes to Basic Financial Statements

For the Year Ended December 31, 2023

Note 1: The Reporting Entity

The City of Willowick, Ohio (the “City”) is a home rule municipal corporation incorporated as a City in 1957 under the laws of the State of Ohio. The City operates under its own charter and is governed by a mayor-council form of government, which was adopted on May 6, 1952.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, and performs the judicial functions of the City. As the chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances, and evidences of indebtedness of the City.

Legislative authority is vested in a seven-member council with six members elected from wards and the president of Council elected at large. Members of Council are elected to four-year terms. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials, services and other municipal purposes.

The 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, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, firefighting and prevention, street maintenance and repairs, building inspection, parks and recreation, and wastewater.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The Willoughby-Eastlake City School District and the Willoughby-Eastlake Public Library have been excluded from the reporting entity because the City is not financially accountable for these organizations nor does the City approve the budget, the levying of taxes, or the issuance of debt for these organizations.

The City participates in three jointly governed organizations. These organizations are the Northeast Ohio Public Energy Council, Regional Income Tax Agency (RITA) and the Lake County General Health District. These organizations are presented in Note 17 to the basic financial statements.

Note 2: Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The most significant of the City’s accounting policies are described below.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

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 are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

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

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

The following are the City's major governmental funds:

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

Municipal Tax Increment Equivalent Fund – This fund is used to account for activity related to Shoreland Crossing development.

Capital Improvement Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by a proprietary fund).

Proprietary Funds – 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. The following is the City's major enterprise fund:

Sewer Fund – The sewer fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City has no custodial funds.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the 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, except for fiduciary funds. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

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. The 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 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 Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Revenues – Exchange and Non-Exchange Transactions (continued)

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements that report financial position may include a section for deferred outflows of resources. Deferred outflows of resources represent 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. The City has deferred outflows of resources for pension and OPEB (other postemployment benefits) plans reported in the Statements of Net Position and the amount in the proprietary funds is also reported in the fund financial statements. The deferred outflows of resources related to pension and OPEB plans are explained in Note 11 and Note 12 respectively.

In addition to liabilities, the financial statements that report financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, leases, and amounts for pension and OPEB plans. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance 2024 operations. These amounts along with deferred inflows related to leases have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments, interest, charge for services and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position and in the proprietary funds on the Statement of Fund Net Position. Deferred inflows of resources related to leases are explained in Note 6.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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.

E. Budgetary Process

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

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

Appropriations by fund must be within the estimated resources as certified by the Commission, and the total of expenditures and encumbrances may not exceed the appropriations at the legal level of control. Any revisions that alter the appropriations among departments within a fund must first be approved by Council.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. The amounts reported as original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. During the year, supplemental appropriation measures were legally enacted. The budgetary figures which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

Cash received by the City is deposited into several bank accounts. Monies for all funds, including the enterprise fund, are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. Each fund's interest in the pooled bank accounts is presented as "equity in pooled cash and cash equivalents". During fiscal year 2023, investments were limited to STAR Ohio, negotiable certificates of deposit, a municipal bond, Federal Home Loan Mortgage Corporation note, and a money market account.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts and nonnegotiable certificate of deposits are reported at cost.

STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but the City 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 a NAV per share that approximates fair value.

For the year ended 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 for deposits and withdrawals exceeding \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Investment revenue credited to the general fund during 2023 amounted to \$398,541, which includes \$259,005 assigned from other City funds. All investment earnings accrue to the general fund except those funds specifically required to earn interest by Ohio law.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as "equity in pooled cash and cash equivalents."

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure/expense when used.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

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

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These 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 proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value as of the date received. The City maintains a capitalization threshold of \$3,000. The City's infrastructure consists of roadways, sidewalks, drive aprons, curbs, fencing/masonry, the Vine Street beautification, traffic signals and cameras, decorative streetlights, storm sewers, and sanitary sewers. 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 over the estimated useful lives, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15-20 years
Buildings and improvements	10-45 years
Machinery and equipment	5-30 years
Infrastructure	25-70 years

The City is reporting right to use assets related to leased equipment. These assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are equally offset by a fund balance reserve account reported as nonspendable which indicates that they do not constitute available expendable resources. These 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.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

K. 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 City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. When applicable, amounts are recorded in the account "matured compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Payables, Accrued Liabilities and Long-Term Obligations

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

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

M. Leases

As lessee, the City recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000 that meet the definition of another than short-term lease. Short-term lease payments are expensed when incurred. 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. The City uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the City's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. 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.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

M. Leases (continued)

As lessor, the City recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000 that meet the definition of another than short-term lease. At the commencement of the lease, the City records a receivable and deferred inflow of the net present value of future expected payments using a discount rate explicitly stated or implicit in the contract. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized as income when earned.

N. Subscriptions

The City recognizes subscription-based information technology arrangements that have a term exceeding one year and future payments on the contract exceed \$5,000. Short-term subscriptions are expensed as incurred. At the commencement of the subscription arrangement, the City initially measures the subscription liability at the present value of payments expected to be made during the term. The City uses a discount rate that is determined using the City's incremental borrowing rate at start of the subscription arrangement for a similar asset type and term length to the contract. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

O. 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.

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.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

O. Fund Balance (continued)

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) 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) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints 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. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance. The Finance Director is the City's delegated official.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 the amounts in any of the unrestricted fund balance classifications could be used.

P. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for capital projects, debt services and other purposes.

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

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 2: Summary of Significant Accounting Policies (continued)

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the sewer operations. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/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 systems. 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 systems report investments at fair value.

T. 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.

U. Contribution and Distribution of Capital

Contribution of capital in the proprietary fund financial statements arise from inside distributions of capital assets or resources restricted to capital acquisition and construction. These are shown as transfers on the Statement of Activities.

V. 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.

W. Unearned Revenues

Unearned revenues consisted of unspent American Rescue Plan Act funds received from the federal government which will be used in a future period.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 3: 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 nonmajor governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	Municipal Tax Increment <u>Equivalent</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Nonspendable:					
Inventory	\$ 11,231	\$ -	\$ -	\$ 32,984	\$ 44,215
Prepaid items	155,502	-	-	3,060	158,562
Interfund loan receivable	<u>280,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,000</u>
Total nonspendable	<u>446,733</u>	<u>-</u>	<u>-</u>	<u>36,044</u>	<u>482,777</u>
Restricted:					
Fire emergency	-	-	-	529,449	529,449
Debt service payments	-	1,766,793	-	48,054	1,814,847
Street construction maintenance & repair	-	-	-	1,288,688	1,288,688
State highway	-	-	-	150,800	150,800
Street lighting	-	-	-	169,626	169,626
Permissive license fee	-	-	-	162,453	162,453
DUI enforcement & education	-	-	-	4,013	4,013
Drug law enforcement	-	-	-	5,986	5,986
Senior citizen center	-	-	-	75,246	75,246
Emergency management	-	-	-	32,868	32,868
Victim assistance grant	-	-	-	11	11
Law enforcement trust	-	-	-	2,494	2,494
Law enforcement continuing education	-	-	-	15,385	15,385
Fire loss claims	-	-	-	27,865	27,865
Police pension	-	-	-	34,076	34,076
Donations and Bequest	-	-	-	10,698	10,698
NOPEC grant	-	-	-	4,226	4,226
OneOhio	-	-	-	25,614	25,614
Monsanto	-	-	-	17,414	17,414
Capital improvements	<u>-</u>	<u>-</u>	<u>2,608,333</u>	<u>-</u>	<u>2,608,333</u>
Total restricted	<u>-</u>	<u>1,766,793</u>	<u>2,608,333</u>	<u>2,604,966</u>	<u>6,980,092</u>
Committed:					
Compensated absences	275,748	-	-	-	275,748
Purchases on order	<u>20,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,580</u>
Total committed	<u>296,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,328</u>
Assigned:					
Capital improvements	-	-	27,218	-	27,218
Year 2024 appropriations	64,834	-	-	-	64,834
Purchases on order	<u>38,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,121</u>
Total assigned	<u>102,955</u>	<u>-</u>	<u>27,218</u>	<u>-</u>	<u>130,173</u>
Unassigned	<u>5,148,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,148,161</u>
Total fund balance	\$ <u>5,994,177</u>	\$ <u>1,766,793</u>	\$ <u>2,635,551</u>	\$ <u>2,641,010</u>	\$ <u>13,037,531</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 4: Budgetary Basis of Accounting

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

The major difference between the budgetary basis and the GAAP basis are:

- 1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budgetary) rather than assigned fund balance (GAAP).
- 4) Short-term note proceeds, short-term note principal retirements, advances-in, and advances-out for governmental funds are operating transactions (budgetary) as opposed to balance sheet transactions (GAAP).
- 5) Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the earned benefits fund.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 1,543,874
(Decrease) increase due to:	
Revenue accruals	(593,877)
Advances-in	267,841
Expenditure accruals	54,657
Advances-out	(737,500)
Encumbrances outstanding	(280,125)
To reclassify the net change in fund balances for funds combined with the General Fund	<u>150,274</u>
Budgetary basis	\$ <u><u>405,144</u></u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 5: Deposits and Investments

State statutes classify monies held by the City into three categories.

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

Inactive deposits are monies 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 may be deposited or invested in the following securities:

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

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 5: Deposits and Investments (continued)

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 2% 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either 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% 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% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the carrying amount of the City's deposits was \$663,132 (including petty cash) and the bank balance was \$1,099,601. The full bank balance was covered by the federal depository insurance or through the Ohio Pooled Collateral System at year-end.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 5: Deposits and Investments (continued)

Investments

As of December 31, 2023, the City had the following investments:

	<u>Fair Value</u>	<u>Maturities Less than 1 Year</u>	<u>Maturities More than 1 Year</u>
Money market	\$ 1,102,033	\$ 1,102,033	\$ -
Negotiable certificates of deposit	2,110,503	1,379,041	731,462
Federal Home Loan Mortgage Corporation note	522,396	-	522,396
Municipal bond	490,895	490,895	-
STAR Ohio	<u>7,976,369</u>	<u>7,976,396</u>	<u>-</u>
Total	<u>\$ 12,202,223</u>	<u>\$ 10,948,365</u>	<u>\$ 1,253,858</u>

The entire balance of the negotiable certificates of deposit is covered by FDIC insurance.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2023:

- Money market is based on Level 1 inputs and is valued at amortized costs, which approximates fair value.
- Negotiable certificates of deposit, Federal Home Loan Mortgage Corporation note, and the municipal bond are measured based on Level 2 inputs, using a matrix or model pricing method.
- STAR Ohio is valued at amortized cost.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring 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, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. During 2023, no investments have been purchased with a life greater than five years.

At December 31, 2023, the average days to maturity was 46.4 for STAR Ohio.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 5: Deposits and Investments (continued)

Credit risk is addressed by the City’s investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The City’s investment in Star Ohio carries an “AAAm” money market rating by Standard & Poor’s. The Federal Home Loan Mortgage Corporation note and municipal bond carry an “Aaa” rating by Moody’s and the negotiable certificate of deposits and money market are unrated.

Concentration of credit risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City’s investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The following is the City’s allocation as of December 31, 2023:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Money market	9%
Negotiable certificates of deposit	17%
Federal Home Loan Mortgage Corporation note	4%
Municipal bond	4%
STAR Ohio	66%

Note 6: Receivables

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections for 2022 taxes. Property tax payments received during 2023 for tangible personal property, except for public utility property, are for prior year unpaid tangible personal property taxes.

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the County Auditor at 35% of the appraised market value, and reappraisal of all property is required every six years with a triennial update. The last reappraisal was completed for tax year 2021 affecting collections beginning in 2022.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31, if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Taxes not paid become delinquent after December 31 of the year in which payable. 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% of true value. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 6: Receivables (continued)

A. Property Taxes (continued)

While property tax rates are levied by the City, the County Auditor is statutorily responsible for administering and collecting real property taxes on the behalf of all taxing authorities in the county, including the City. The County periodically remits to the City its portion of the taxes collected.

The assessed values per category applicable to the 2023 tax collections are as follows:

Real property	\$ 298,502,840
Public utility property	<u>4,954,380</u>
Total valuation	\$ <u>303,457,220</u>

The full tax rate for all City operations for the year ended December 31, 2023, was \$19.75 per \$1,000 of assessed value.

B. Income Taxes

The City levies a municipal income tax of 2% on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 87.5% of the tax paid to another municipality up to a maximum of 2.0% of the taxes paid. 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. Income tax proceeds are received by the general fund.

C. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental activities:	
State/local government	\$ 596,621
Homestead and rollback	429,136
Gasoline/motor vehicle license tax	393,730
Permissive tax	7,712
Attorney general law enforcement training grant	15,385
OPWC	74,041
Payments in lieu of taxes	<u>638,832</u>
Total governmental activities	<u>2,155,457</u>
Business-type activities:	
Lake County	62,167
OPWC	<u>121,841</u>
Total business-type activities	<u>184,008</u>
Total	<u>\$ 2,339,465</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 6: Receivables (continued)

D. Lease Receivables

The City has entered into various lease agreement for towers with telecommunications companies at varying years and terms. The City recognized lease revenue of \$24,013 in 2023 related to lease payments received. A summary of future lease receipts is as follows:

Governmental activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 14,450	\$ 13,945	\$ 28,395
2025	17,201	13,346	30,547
2026	18,562	12,659	31,221
2027	19,287	11,934	31,221
2028	20,039	11,182	31,221
2029-2033	126,183	42,593	168,776
2034-2038	134,244	16,476	150,722
2039	23,719	441	21,158
Total	\$ <u>373,685</u>	\$ <u>122,576</u>	\$ <u>496,261</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 7: Capital Assets

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

	Balance <u>12/31/22</u>	Additions	Disposals	Balance <u>12/31/23</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,187,077	\$ -	\$ (65,004)	\$ 1,122,073
Construction in process	<u>1,043,882</u>	<u>652,780</u>	<u>(821,732)</u>	<u>874,930</u>
Total nondepreciable capital assets	<u>2,230,959</u>	<u>652,780</u>	<u>(886,736)</u>	<u>1,997,003</u>
Capital assets being depreciated:				
Land improvements	1,033,764	14,000	-	1,047,764
Building and improvements	10,007,693	391,353	-	10,399,046
Machinery and equipment	6,813,274	237,025	(201,914)	6,848,385
Right-to-use asset, equipment	27,030	-	-	27,030
Infrastructure:				
Roadways	21,461,050	-	-	21,461,050
Sidewalks	2,070,663	-	-	2,070,663
Drive aprons	1,826,710	-	-	1,826,710
Curbs	3,179,407	-	-	3,179,407
Fencing/masonry	324,440	-	-	324,440
Vine Street beautification	482,774	-	-	482,774
Traffic signals and cameras	1,322,084	21,706	-	1,343,790
Decorative street lights	547,748	-	-	547,748
Storm sewers	<u>3,756,587</u>	<u>323,665</u>	<u>-</u>	<u>4,080,252</u>
Total capital assets being depreciated	<u>52,853,224</u>	<u>987,749</u>	<u>(201,914)</u>	<u>53,639,059</u>
Less accumulated depreciation:				
Land improvements	(786,120)	(18,695)	-	(804,815)
Building and improvements	(6,349,551)	(223,133)	-	(6,572,684)
Machinery and equipment	(4,447,318)	(431,037)	147,090	(4,731,265)
Right-to-use asset, equipment	(9,267)	(9,267)	-	(18,534)
Infrastructure:				
Roadways	(10,605,872)	(429,221)	-	(11,035,093)
Sidewalks	(953,047)	(41,413)	-	(994,460)
Drive aprons	(771,332)	(36,534)	-	(807,866)
Curbs	(1,186,898)	(63,589)	-	(1,250,487)
Fencing/masonry	(181,688)	(12,978)	-	(194,666)
Vine Street beautification	(328,287)	(19,311)	-	(347,598)
Traffic signals and cameras	(475,047)	(53,968)	-	(529,015)
Decorative street light	(344,185)	(21,910)	-	(366,095)
Storm Sewers	<u>(516,024)</u>	<u>(76,410)</u>	<u>-</u>	<u>(592,434)</u>
Total accumulated depreciation	<u>(26,954,636)</u>	<u>(1,437,466)</u>	<u>147,090</u>	<u>(28,245,012)</u>
Net capital assets being depreciated	<u>25,898,588</u>	<u>(449,717)</u>	<u>(54,824)</u>	<u>25,394,047</u>
Governmental activities capital assets, net	\$ <u>28,129,547</u>	\$ <u>203,063</u>	\$ <u>(941,560)</u>	\$ <u>27,391,050</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 7: Capital Assets (continued)

	<u>Balance</u> <u>12/31/22</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/23</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in process	\$ <u>166,298</u>	\$ <u>3,017</u>	\$ <u>(169,315)</u>	\$ <u>-</u>
Total nondepreciable capital assets	<u>166,298</u>	<u>3,017</u>	<u>(169,315)</u>	<u>-</u>
Capital assets being depreciated:				
Machinery and equipment	1,136,875	35,320	-	1,172,195
Infrastructure:				
Sanitary sewers	6,419,903	169,315	-	6,589,218
Storm sewers	<u>5,801,649</u>	<u>-</u>	<u>-</u>	<u>5,801,649</u>
Total capital assets being depreciated	<u>13,358,427</u>	<u>204,635</u>	<u>-</u>	<u>13,563,062</u>
Less accumulated depreciation:				
Machinery and equipment	(505,371)	(49,917)	-	(555,288)
Infrastructure:				
Sanitary sewers	(3,353,946)	(104,515)	-	(3,458,461)
Storm sewers	<u>(2,889,696)</u>	<u>(82,881)</u>	<u>-</u>	<u>(2,972,577)</u>
Total accumulated depreciation	<u>(6,749,013)</u>	<u>(237,313)</u>	<u>-</u>	<u>(6,986,326)</u>
Net capital assets being depreciated	<u>6,609,414</u>	<u>(32,678)</u>	<u>-</u>	<u>6,576,736</u>
Business-type activities capital assets, net	\$ <u>6,775,712</u>	\$ <u>(29,661)</u>	\$ <u>(169,315)</u>	\$ <u>6,576,736</u>

Depreciation expense was charged to governmental activities as follows:

	<u>Governmental</u>
Security of persons and property	\$ <u>353,735</u>
Leisure time activities	83,067
Community development	43,129
Transportation	719,374
General government	<u>238,161</u>
Total depreciation expense	\$ <u><u>1,437,466</u></u>

During 2023, the City purchased machinery and equipment from the local fiscal recovery fund for the sewer fund. The machinery and equipment has a cost basis of \$35,320. This is reported as an addition in the sewer fund machinery and equipment and contributed capital in the Statement of Revenues, Expenses and Changes in Fund Net Position.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 8: Long-Term Obligations

Changes in long-term obligations during the year ended December 31, 2023, consisted of the following:

	<u>Balance</u> <u>12/31/22</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/23</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
OPWC loan payable – North Lake Shore Blvd / Glen Arden sewer replacement, 0%, maturing 7/1/2034*	\$ 220,755	\$ -	\$ (20,068)	\$ 200,687	\$ 10,034
OPWC loan payable – E 330 th Street waterline replacement – Phase 1, 0%, maturing 7/1/2036*	88,795	-	(6,830)	81,965	3,415
OPWC loan payable – E 330 th Street improvements – Phase 2, 0%, maturing 7/1/2036*	93,193	-	(7,169)	86,024	3,584
Finance purchase*	851,314	104,441	(215,610)	740,145	155,329
Lease payable*	18,615	-	(9,180)	9,435	9,435
Compensated absences	1,438,456	679,060	(710,184)	1,407,332	577,598
Net pension liability	6,434,278	5,337,604	-	11,771,882	-
Net OPEB liability	872,449	-	(249,268)	623,181	-
Total governmental activities	\$ <u>10,017,855</u>	\$ <u>6,121,105</u>	\$ <u>(1,218,309)</u>	\$ <u>14,920,651</u>	\$ <u>759,395</u>
Business-type activities:					
Sewer improvement notes	\$ 138,635	\$ -	\$ (138,635)	\$ -	\$ -
OPWC loan payable – Euclid Avenue sewer, 0%, maturing 1/1/2026*	17,837	-	(7,132)	10,705	3,566
OPWC loan payable – sanitary sewer rehabilitation, 0%, maturing 7/1/2028*	23,844	-	(4,770)	19,074	2,385
OPWC loan payable – Thomas Street sanitary sewer replacement, 0%, maturing 1/1/2032*	46,015	-	(5,414)	40,601	2,707
OPWC loan payable – 2011 sanitary sewer rehabilitation, 0%, maturing 7/1/2036*	32,500	-	(2,500)	30,000	1,250
OPWC loan payable – East 329 th street sewer rehabilitation, 0%, maturing 1/1/2039*	103,248	-	(6,662)	96,586	3,331
OPWC loan payable – East 329 th street sewer rehabilitation, 0%, maturing 1/1/2041*	49,316	-	(2,740)	46,576	1,370
OPWC loan payable – East 327 th street sewer rehabilitation, 0%, maturing 1/1/2040*	109,934	-	(6,662)	103,272	3,331
Compensated absences	82,476	50,454	(75,365)	57,565	56,343
Net pension liability	162,393	366,994	-	529,387	-
Net OPEB liability	-	10,884	-	10,884	-
Total business-type activities	\$ <u>766,198</u>	\$ <u>428,332</u>	\$ <u>(249,880)</u>	\$ <u>944,650</u>	\$ <u>74,283</u>

* Long-term obligation is a direct placement.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 8: Long-Term Obligations (continued)

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

The governmental activities OPWC loans will be paid from the debt service fund and the business-type OPWC loans will be paid from the sewer user fees collected. Compensated absences will be paid from the fund from which the employees' salaries are paid. Notes payable will be paid from the fund which received the original proceeds. Financed purchases will be paid from Police & Fire Capital Levy Fund. Lease payable will be paid from the General Fund and the Fire Emergency Fund, see Note 9.

Year	Governmental			Business-Type
	OPWC Loans Payable Principal*			
	North Lake Shore Blvd./Glen Arden Sewer	E. 330th St. Waterline Replacement Phase 1	E. 330th St. Improvement Phase 2	E. 329th St. Sanitary Sewer Rehabilitation
2024	\$ 10,034	\$ 3,415	\$ 3,584	\$ 4,701
2025	20,068	6,830	7,169	9,402
2026	20,068	6,830	7,169	9,402
2027	20,069	6,830	7,169	9,402
2028	20,069	6,830	7,169	9,401
2029-2033	100,342	34,150	35,845	47,005
2034-2038	10,037	17,080	17,919	47,003
2039-2041	-	-	-	6,846
Total	\$ <u>200,687</u>	\$ <u>81,965</u>	\$ <u>86,024</u>	\$ <u>143,162</u>

* Long-term obligation is a direct placement.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 8: Long-Term Obligations (continued)

Year	Business-Type			
	OPWC Loans Payable Principal*			
	Euclid Avenue Sewer	Sanitary Sewer Rehabilitation	Thomas Street Sanitary Sewer	2011 Sanitary Sewer Rehabilitation
2024	\$ 3,566	\$ 2,385	\$ 2,707	\$ 1,250
2025	7,139	4,770	5,414	2,500
2026	-	4,770	5,414	2,500
2027	-	4,770	5,414	2,500
2028	-	2,379	5,414	2,500
2029-2033	-	-	16,238	12,500
2034-2038	-	-	-	6,250
2039-2041	-	-	-	-
Total	\$ <u>10,705</u>	\$ <u>19,074</u>	\$ <u>40,601</u>	\$ <u>30,000</u>

Year	Business-Type
	OPWC Loans Payable Principal*
	E. 327th St. Sanitary Sewer Rehabilitation
2024	\$ 3,331
2025	6,663
2026	6,662
2027	6,663
2028	6,662
2029-2033	33,313
2034-2038	33,312
2039-2041	6,666
Total	\$ <u>103,272</u>

Year ending December 31,	Governmental Activities	
	Financed Purchase	
	Principal	Interest
2024	\$ 155,329	\$ 21,585
2025	159,721	17,193
2026	164,298	12,617
2027	92,031	7,897
2028	94,975	4,953
Thereafter	73,791	1,904
Total	\$ <u>740,145</u>	\$ <u>66,149</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 9: Lease Obligations

The City has entered into a contract for the use of copiers. The lease is for a period of three years and requires monthly payments. The contract meets the definition of a lease under GASB Statement No. 87. A summary of the principal and interest amounts for the lease is as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 9,435	\$ 575

Expense, including interest, related to these leases totaled \$11,007 in the governmental activities for the year ended December 31, 2023.

Note 10: Employee Benefits – Compensated Absences

Employees earn vacation and sick leave at different rates which are affected by length of service. Sick leave accrual is continuous, without limit. Overtime worked is paid to employees on the paycheck for the period in which it was worked.

Upon retirement, an employee can be paid for his/her accumulated hours of sick leave up to 960 hours, except fire department employees, who are part-time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, vacation is paid for the total time accumulated for the employee.

Note 11: Defined Benefit Pension Plans

A. Net Pension/Other Post-Employment (OPEB) Liability/(Asset)

The net pension/OPEB liability/(asset) reported on the Statement of Net Position represents a liability/(asset) to employees for pensions/OPEB. 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liabilities (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) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

A. Net Pension/Other Post-Employment (OPEB) Liability (Asset) (continued)

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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB 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 long-term net pension/OPEB liability on the accrual basis of accounting. Funded benefits is presented as a long-term net pension/OPEB asset. Any liability for the contractually-required contribution outstanding at the end of the year is included as accrued wages and benefits on the accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the traditional pension plan, defined benefit plan; the combined plan, a hybrid defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. Effective January 1, 2022 the combined plan is no longer available for member selection. While members (e.g., City employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans.

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 614-222-5601 or 800-222-7377.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning 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 traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

The following table provides age and service requirements and the retirement formula applied to the FAS for the three member groups under the traditional plan (see OPERS ACFR referenced above for additional information):

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

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

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

The combined plan is a hybrid defined benefit/defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses).

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS. Effective January 1, 2022, members may no longer select this plan.

Benefits in the combined plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the combined plan is the same as the traditional pension plan.

Members retiring under the combined plan receive a 3% COLA on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Additionally, a death benefit of \$500 – \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the combined plan.

The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the combined plan (see OPERS ACFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	State and Local Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Formula: 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Both member-directed plan and combined plan members who have met the 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.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% 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 their benefit account (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll for members in the state and local classifications.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2023 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to healthcare was 2% for 2023. The portion of the employer contributions allocated to health care for members in the member-directed plan was 4% for 2023. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution for the traditional plan, net of postemployment health care benefits, for 2023 was \$376,590. The City's contractually required contribution for the combined plan, net of postemployment health care benefits, for 2023 was \$13,449. For 2023, amounts \$40,598 is reported as accrued wages and benefits at December 31, 2023.

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

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

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

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3% 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% 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 provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 19.5% of covered payroll for police employer units and 24.0% for fire employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 12.25% of covered payroll for police and fire. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0.5% for 2023 for police and fire employer units. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2023, the City's contractually required contribution, net of postemployment health care benefits, was \$425,479. Of this amount, \$52,445 is reported as accrued wages and benefits at December 31, 2023.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

D. Pension Liabilities (Assets), 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 (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:

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.018665%	0.014803%	0.079597%	
Proportion of the net pension liability/asset current measurement date	<u>0.017921%</u>	<u>0.018965%</u>	<u>0.073770%</u>	
Change in proportionate share	(0.000744%)	0.004162%	(0.005827%)	
Proportionate share of the net pension liability	\$ 5,293,872	\$ -	\$ 7,007,397	\$ 12,301,269
Proportionate share of the net pension asset	\$ -	\$ 44,700	\$ -	\$ 44,700
Pension (reduction) expense	\$ 849,475	\$ (7,290)	\$ 793,993	\$ 1,636,178

The 2023 pension expense for the member-directed defined contribution plan was \$59. The aggregate pension expense reduction for all pension plans was \$1,636,237 for 2023.

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

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflow of resources				
Difference between expected and actual experience	\$ 175,840	\$ 2,748	\$ 105,108	\$ 283,696
Change in assumptions	55,926	2,959	632,043	690,928
Net difference between projected and actual earnings on pension plan investments	1,508,920	16,290	1,020,191	2,545,401
Differences in employer contributions and change in proportionate share	110,671	-	612,439	723,110
City contributions subsequent to the measurement date	<u>376,590</u>	<u>13,449</u>	<u>425,479</u>	<u>815,518</u>
Total deferred outflow of resources	\$ <u>2,227,947</u>	\$ <u>35,446</u>	\$ <u>2,795,260</u>	\$ <u>5,058,653</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

D. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	OPERS Traditional	OPERS Combined	OP&F	Total
Deferred inflow of resources				
Difference between expected and actual experience	\$ -	\$ 6,387	\$ 159,649	\$ 166,036
Change in assumptions	-	-	136,642	136,642
Differences in employer contributions and change in proportionate share	<u>89,167</u>	<u>-</u>	<u>683,286</u>	<u>772,453</u>
Total deferred inflow of resources	<u>\$ 89,167</u>	<u>\$ 6,387</u>	<u>\$ 979,577</u>	<u>\$ 1,075,131</u>

The \$814,178 reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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	OPERS Combined	OP&F	Total
Fiscal Year Ending December 31:				
2024	\$ 255,162	\$ 661	\$ 99,312	\$ 355,135
2025	323,705	2,997	326,798	653,500
2026	444,149	4,158	428,588	876,895
2027	739,174	7,013	608,420	1,354,607
2028	-	(19)	(72,914)	(72,933)
2029-2031	<u>-</u>	<u>800</u>	<u>-</u>	<u>800</u>
	<u>\$ 1,762,190</u>	<u>\$ 15,610</u>	<u>\$ 1,390,204</u>	<u>\$ 3,168,004</u>

E. 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 active member population which consists of members in the Traditional and Combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Key methods and assumptions used in valuation of total pension liability/asset - 2022

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>
Valuation date	December 31, 2022	December 31, 2022
Experience study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	6.90%	6.90%
Wage inflation	2.75%	2.75%
Projected salary increases, including 2.75% wage inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 retirees	3.00% Simple through 2023 then 2.05% Simple	3.00% Simple though 2023 then 2.05% Simple

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2020 and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). 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.

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 of the traditional plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was a loss of 12.1% for 2022.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

The allocation of investment assets with 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. The table below displays the Board-approved asset allocation policy and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	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
Risky parity	2.00	4.37
Other investments	5.00	3.27
Total	<u>100.00%</u>	

Discount Rate The discount rate used to measure the total pension liability for measurement year 2022 was 6.9%. 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 statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

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%, 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%) or one-percentage-point higher (7.9%) than the current rate:

	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
City’s proportionate share of the net pension liability – traditional	\$ 7,930,043	\$ 5,293,872	\$ 3,101,050
City’s proportionate share of the net pension (asset) – combined	\$ (23,327)	\$ (44,700)	\$ (61,636)

F. 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 calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2022, are presented below:

Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	3.75% - 10.50%
Payroll growth	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135.0% for males and 97.9% 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% for males and 131.0% 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 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.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	18.6%	4.8%
International equity	12.4	5.5
Private markets	10.0	7.9
Core fixed income*	25.0	2.5
High yield fixed income	7.0	4.4
Private credit	5.0	5.9
U.S. inflation linked bonds*	15.0	2.0
Midstream energy infrastructure	5.0	5.9
Real assets	8.0	5.9
Gold	5.0	3.6
Private real estate	12.0	5.3
Commodities	2.0	3.6
Total	<u>125.00%</u>	

Note: Assumptions are geometric.

*Levered 2x

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 7.50%. 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.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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%, 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%), or one percentage point higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 9,244,109	\$ 7,007,397	\$ 5,148,018

Note 12: Postemployment Benefits

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – OPERS administers three separate pension plans: the traditional pension plan, a defined benefit plan; the combined plan, a hybrid defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. Effective January 1, 2022 the combined plan is no longer available for member selection. While members (e.g., City employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement No. 75. See OPERS' ACFR referenced below for additional information.

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

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

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

A. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of the employer’s contribution allocated to health care was 0% for 2023 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to healthcare was 2% for 2023. The portion of the employer contributions allocated to health care for members in the Member Directed plan was 4% for 2023. 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contributions to OPERS health care plans was \$2,242 for 2023.

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

Plan Description – the City’s full-time police and the fire chief participate in the 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.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% of covered payroll for police and 24.0% of covered payroll for fire. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police and 24.0% for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5% 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 \$11,090 for 2023.

C. OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability for OPERS as of December 31, 2023 was measured as of December 31, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021 and 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. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating entities.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

C. OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.017841%	0.079597%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.017263%</u>	<u>0.073770%</u>	
Change in proportionate share	(0.000578%)	(0.005827%)	
Proportionate share of the net OPEB liability	\$ 108,846	\$ 525,219	\$ 634,065
OPEB (reduction) expense	\$ (252,868)	\$ 13,236	\$ (239,632)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflow of resources			
Difference between expected and actual experience	\$ -	\$ 31,342	\$ 31,342
Change in assumptions	106,313	261,740	368,053
Net difference between projected and actual earnings on OPEB plan investments	216,173	45,048	261,221
Differences in employer contributions and change in proportionate share City contributions subsequent to the measurement date	16,973	89,226	106,199
	<u>2,242</u>	<u>11,090</u>	<u>13,332</u>
Total deferred outflow of resources	\$ <u>341,701</u>	\$ <u>438,446</u>	\$ <u>780,147</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

C. OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflow of resources			
Difference between expected and actual experience	\$ 27,150	\$ 103,562	\$ 130,712
Change in assumptions	8,748	429,586	438,334
Differences in employer contributions and change in proportionate share	<u>2,893</u>	<u>151,846</u>	<u>154,739</u>
Total deferred inflow of resources	\$ <u>38,791</u>	\$ <u>684,994</u>	\$ <u>723,785</u>

The \$13,332 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Fiscal Year Ending December 31:			
2024	\$ 50,863	\$ (37,523)	\$ 13,340
2025	77,965	(32,202)	45,763
2026	67,410	(25,653)	41,757
2027	104,430	(13,089)	91,341
2028	-	(42,072)	(42,072)
2029-2031	<u>-</u>	<u>(107,099)</u>	<u>(107,099)</u>
	\$ <u>300,668</u>	\$ <u>(257,638)</u>	\$ <u>43,030</u>

D. Actuarial Assumptions – OPERS

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

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

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

	<u>Assumptions</u>
Valuation date	December 31, 2021
Rolled-forward measurement date	December 31, 2022
Experience study	5-year period ended December 31, 2020
Actuarial cost method	Individual entry age normal
Projected salary increases, including 2.75% wage inflation	2.75 to 10.75%
Investment rate of return	6.00%
Municipal bond rate	4.05%
Single discount rate of return	5.22%
Health care cost trend	Initial 5.50% to 3.50% ultimate in 2036

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality Tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). 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.

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

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

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	34.00%	2.56%
Domestic equities	26.00	4.60
Real estate	7.00	4.70
International equities	25.00	5.51
Risk parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00%	

Discount Rate A single discount rate of 5.22% was used to measure the OPEB liability on the measurement date of December 31, 2022. 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% and a municipal bond rate of 4.05% for the measurement date of December 31, 2022. 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 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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

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

	1% Decrease (4.22%)	Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB liability (asset)	\$ 370,464	\$ 108,846	\$ (107,031)

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% 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%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1% Increase</u>
City’s proportionate share of the net OPEB liability	\$ 102,024	\$ 108,846	\$ 116,525

Assumption Changes Since the Prior Measurement Date Municipal bond rate increased from 1.84% to 4.05%. The health care cost trend rate changed from 5.50% initial, 3.50%, ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

E. 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.

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

Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Salary increases	3.75% – 10.50%
Payroll growth	3.25%
Municipal bond index rate	
Prior measurement date	2.05%
Current measurement date	3.65%
Single equivalent interest rate, net of plan investment expense, including price inflation	
Prior measurement date	2.84%
Current measurement date	4.27%

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 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 OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	18.6%	4.8%
International equity	12.4	5.5
Private markets	10.0	7.9
Core fixed income*	25.0	2.5
High yield fixed income	7.0	4.4
Private credit	5.0	5.9
U.S. inflation linked bonds*	15.0	2.0
Midstream energy infrastructure	5.0	5.9
Real assets	8.0	5.9
Gold	5.0	3.6
Private real estate	12.0	5.3
Commodities	2.0	3.6
Total	125.00%	

Note: Assumptions are geometric.

*Levered 2.5x

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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

Discount Rate For 2022, the total OPEB liability was calculated using the discount rate of 4.27%. 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%. 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% was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65% was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27%. 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%, 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%), or one percentage point higher (5.27%) than the current rate.

	1% Decrease <u>(3.27%)</u>	Discount Rate <u>(4.27%)</u>	1% Increase <u>(5.27%)</u>
City’s proportionate share of the net OPEB liability	\$ 646,757	\$ 525,219	\$ 422,608

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 12: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

Assumption Changes Since the Prior Measurement Date

The assumptions used for the January 1, 2022 actuarial valuation are based on the quinquennial experience review prepared as of December 31, 2021 and adopted by the Board of Trustees on October 26, 2022. Material assumptions and methods that were changed since the prior valuation:

- The investment return assumption was lowered from 8.00% to 7.50%.
- The DROP interest crediting rate was lowered from 4.00% to 3.75%.
- The mortality assumption, withdrawal rates, retirement rates, and disability rates were changed.
- The DROP participation rate was lowered from 90% to 80%.
- The percent married assumption was changed from assuming 75% of members are married to 80%.
- The percentage of members assumed to elect a joint annuity was changed from 33% to 40% for service retirees and from 10% to 15% for disabled retirees. The percentage continued to the joint annuitant assumption was changed from 40% to 45%.

Note 13: 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 contracted with Wichert Insurance for various types of insurance as follows:

Type of Coverage:	
Property	\$ 31,701,736
Boilers and machinery	30,349,488
Inland marine	482,681
Employee dishonesty	1,000,000
Computer/funds transfer fraud	500,000
Automobile liability	1,000,000
General liability	1,000,000
Law enforcement liability	1,000,000
Public officials liability	1,000,000
Umbrella liability	10,000,000

No settlements exceeded the insurance coverage in any of the prior three fiscal years.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 13: Risk Management (continued)

For the current year, the City participated in the Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool. The intent of the GRRP is to achieve the benefit of reduced premium for the City by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all the cities in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than the individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRRP. A participant will then either receive money from or be required to contribute to the "Equity Funding Pool". This "equity pooling" arrangement ensures that each participant share equally in the overall performance of the GRRP. During 2023, the City received a reimbursement in the amount of \$31,744 for policy year 2021. At this time, management cannot estimate the value of future reimbursements or costs related to past policy years.

Note 14: Interfund Activity

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

	<u>Transfer from</u>
<u>Transfer to</u>	General <u>Fund</u>
Nonmajor governmental funds	\$ 375,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The transfer from the general fund to the nonmajor governmental funds was made to provide resources for current operations.

The transfers in the Statement of Activities include \$35,320 of net capital assets transferred from the governmental activities to the business-type activities. See Note 7 for additional information.

B. Interfund Balances

Interfund receivable/payable for the year ended December 31, 2023, consisted of a \$601,842 receivable in the General Fund offset by a \$37,500 payable in the capital project funds related to Fairway Storm Sewer project and a \$564,342 payable in the Sewer fund related to sewer improvements. The payable in the Sewer fund includes \$144,342 in the form of internal debt owed (\$138,635), plus accrued interest (\$5,707), to the General Fund. The internal debt matures on February 15, 2024 and carries an interest rate of 4.71%.

Long-term interfund loans are classified as "Advances to/from other funds" and consist of a \$280,000 receivable in the General Fund and a \$280,000 payable in the Sewer Fund as of December 31, 2023.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 15: Contingencies

During the normal course of business, the City is subject to occasional legal proceedings, claims, and contract disputes. In the opinion of management, the eventual outcome of any current proceedings and claims against the City will not materially affect its financial condition or operations.

Note 16: Tax Abatement

As of December 31, 2023, the City provides tax incentives under one program, the Community Reinvestment Area (CRA) Program.

Pursuant to Ohio Revised Code 3735, the City established a CRA in 2019, which included all land within the boundaries of the City, with some exceptions. The City authorizes incentives through the passage of ordinances. 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, not to exceed 100% of the increase in the assessed value resulting from the improvements. The amount of the abatement is deducted from the recipient's property tax bill.

If an entity receiving an abatement fails to fulfill its obligations under the CRA or if the City determines that the certification as to delinquent taxes required by the CRA is fraudulent, the City may terminate or modify the exemptions from taxation granted under the CRA and can require repayment of the amount of taxes that would have been payable had the property not been exempted from taxation. For the year ended December 31, 2023, the City had multiple agreements under the CRA outstanding with total abated property taxes of \$2,220.

Note 17: Jointly Governed Organization

Northeast Ohio Public Energy Council – The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of over 240 communities in 19 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the 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 did not contribute to NOPEC during 2023. Financial information can be obtained by contacting NOPEC, 31360 Solon Rd, Suite 33, Solon, Ohio 44139.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 17: Jointly Governed Organization (continued)

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 of 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.

Lake County General Health District – The Lake County General Health District (the “District”), a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative, from each of the participating governments, and the Health Commissioner oversees the operation of the District. The members are elected to staggered five-year terms. Two members are elected by the City of Mentor. The remaining 12 members are elected by the various mayors of cities, villages, chairmen of the township trustees, and the County Commissioners. In 2023, the City contributed \$145,924 for the operation of the District.

Note 18: Construction Commitments and Other Significant Commitments

At December 31, 2023, the City had the following construction commitments:

	<u>Amount</u>
Sewer lateral program	\$ 6,138
Vine Street	4,330
East 305 resurfacing	246,567
Fairway storm sewer improvement	<u>298,407</u>
Total construction commitments	<u>\$ 555,442</u>

Other significant commitments include the encumbrances outstanding for the general fund, capital improvement fund, and other governmental funds were as follows:

	<u>Encumbrances</u>
General fund	\$ 58,701
Capital improvement fund	101,027
Nonmajor governmental funds	<u>141,915</u>
Total other significant commitments	<u>\$ 301,643</u>

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 19: Short Term Notes Payable

A summary of the notes transactions for the year ended December 31, 2023, follows:

	<u>Balance</u> <u>12/31/22</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/23</u>
Business-type activities:				
Sewer improvement notes	\$ <u>44,665</u>	\$ <u>-</u>	\$ <u>(44,665)</u>	\$ <u>-</u>

The sewer notes were issued to improve the municipal sewer system. The notes were dated February 16, 2022 and matured on February 15, 2023 at an interest rate of 1.75%. The notes were bond anticipation notes, and backed by the full faith and credit of the City.

Note 20: Changes in Accounting Principles

Newly Adopted Accounting Pronouncements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. This statement clarifies the accounting and financial reporting surrounding public-private and public-public partnerships and availability payment arrangements. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. These changes were incorporated in the City's 2023 financial statements and did not result and any changes to net position.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The effective date of this standard to reporting periods beginning after June 15, 2022. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

City of Willowick, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2023

Note 20: Changes in Accounting Principles (continued)

Newly Adopted Accounting Pronouncements (continued)

GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 AND NO. 84, and a Supersession of GASB Statement No. 32*, was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*, was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The effective date of this standard to reporting periods beginning after June 15, 2023. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 21: Subsequent Events

In February 2024, the City entered into a SBITA arrangement related to anti-virus software. The agreement is for 24 months and requires annual payments of \$6,640.

City of Willowick, Ohio

Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employee Retirement System – Traditional Plan

For the Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.017921%	0.018665%	0.015442%	0.018461%	0.020170%
City's proportionate share of the net pension liability	\$ 5,293,872	\$ 1,623,930	\$ 2,286,624	\$ 3,648,943	\$ 5,524,154
City's covered payroll	\$ 2,655,978	\$ 2,555,336	\$ 2,369,557	\$ 2,624,614	\$ 2,735,955
City's proportionate share of the net pension liability as a percentage of its covered payroll	199.32%	63.55%	96.50%	139.03%	201.91%
Plan fiduciary net position as a percentage of the total pension liability	75.74%	92.62%	86.88%	82.17%	74.70%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.021035%	0.021494%	0.022112%	0.022672%	0.022672%
City's proportionate share of the net pension liability	\$ 3,299,982	\$ 4,880,920	\$ 3,830,075	\$ 2,734,495	\$ 2,672,733
City's covered payroll	\$ 2,786,313	\$ 2,804,826	\$ 2,769,500	\$ 2,771,120	\$ 2,724,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	118.44%	174.02%	138.29%	98.68%	98.12%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

City of Willowick, Ohio

Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Asset
 Ohio Public Employee Retirement System – Combined Plan

For the Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension asset	0.018965%	0.014803%	0.012493%	0.012153%	0.012199%
City's proportionate share of the net pension asset	\$ 44,700	\$ 58,325	\$ 36,063	\$ 25,342	\$ 13,642
City's covered payroll	\$ 82,143	\$ 52,150	\$ 48,357	\$ 54,671	\$ 52,475
City's proportionate share of the net pension asset as a percentage of its covered payroll	54.42%	111.84%	74.58%	46.35%	26.00%
Plan fiduciary net position as a percentage of the total pension liability	137.14%	169.88%	157.67%	145.28%	126.64%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension asset	0.012852%	0.012739%	0.013010%	0.013686%	0.013686%
City's proportionate share of the net pension asset	\$ 17,492	\$ 7,089	\$ 6,330	\$ 5,269	\$ 1,436
City's covered payroll	\$ 51,125	\$ 51,465	\$ 47,944	\$ 47,973	\$ 47,157
City's proportionate share of the net pension asset as a percentage of its covered payroll	34.22%	13.78%	13.20%	10.98%	3.05%
Plan fiduciary net position as a percentage of the total pension liability	137.28%	116.55%	116.90%	114.83%	104.56%

Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

City of Willowick, Ohio

Required Supplementary Information Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Police and Fire Pension Fund

For the Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.073770%	0.079597%	0.065603%	0.074781%	0.077927%
City's proportionate share of the net pension liability	\$ 7,007,397	\$ 4,972,741	\$ 4,472,182	\$ 5,037,641	\$ 6,360,903
City's covered payroll	\$ 2,127,459	\$ 2,079,805	\$ 1,977,250	\$ 1,959,431	\$ 1,964,303
City's proportionate share of the net pension liability as a percentage of its covered payroll	329.38%	239.10%	226.18%	257.10%	323.82%
Plan fiduciary net position as a percentage of the total pension liability	62.90%	75.03%	70.65%	69.89%	63.07%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.080446%	0.081805%	0.084582%	0.083163%	0.083163%
City's proportionate share of the net pension liability	\$ 4,937,334	\$ 5,181,447	\$ 5,441,219	\$ 4,308,206	\$ 4,050,314
City's covered payroll	\$ 1,955,590	\$ 1,967,554	\$ 1,920,292	\$ 1,827,144	\$ 1,764,321
City's proportionate share of the net pension liability as a percentage of its covered payroll	252.47%	263.34%	283.35%	235.79%	229.57%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	71.71%	73.00%

Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

City of Willowick, Ohio

Required Supplementary Information
 Schedule of the City's Pension Contributions
 Ohio Public Employee Retirement System – Traditional Plan

For the Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 376,590	\$ 371,837	\$ 357,747	\$ 331,738	\$ 367,446
Contributions in relation to the contractually-required contribution	<u>(376,590)</u>	<u>(371,837)</u>	<u>(357,747)</u>	<u>(331,738)</u>	<u>(367,446)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 2,689,929	\$ 2,655,978	\$ 2,555,336	\$ 2,369,557	\$ 2,624,614
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 383,034	\$ 362,221	\$ 336,579	\$ 332,340	\$ 332,534
Contributions in relation to the contractually-required contribution	<u>(383,034)</u>	<u>(362,221)</u>	<u>(336,579)</u>	<u>(332,340)</u>	<u>(332,534)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 2,735,955	\$ 2,786,313	\$ 2,804,826	\$ 2,769,500	\$ 2,771,120
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%	12.00%

The accompanying notes are an integral part of the required supplementary information

City of Willowick, Ohio

Required Supplementary Information
 Schedule of the City's Pension Contributions
 Ohio Public Employee Retirement System – Combined Plan

For the Last Ten Years

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 13,449	\$ 10,429	\$ 7,301	\$ 6,770	\$ 7,654
Contributions in relation to the contractually-required contribution	<u>(13,449)</u>	<u>(10,429)</u>	<u>(7,301)</u>	<u>(6,770)</u>	<u>(7,654)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 112,079	\$ 82,143	\$ 52,150	\$ 48,357	\$ 54,671
Contributions as a percentage of covered payroll	12.00%	12.70%	14.00%	14.00%	14.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 7,346	\$ 6,646	\$ 6,176	\$ 5,753	\$ 5,757
Contributions in relation to the contractually-required contribution	<u>(7,346)</u>	<u>(6,646)</u>	<u>(6,176)</u>	<u>(5,753)</u>	<u>(5,757)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 52,475	\$ 51,125	\$ 51,465	\$ 47,944	\$ 47,973
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%	12.00%

The accompanying notes are an integral part of the required supplementary information

City of Willowick, Ohio

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

For the Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 425,479	\$ 408,519	\$ 399,474	\$ 376,367	\$ 372,292
Contributions in relation to the contractually-required contribution	<u>(425,479)</u>	<u>(408,519)</u>	<u>(399,474)</u>	<u>(376,367)</u>	<u>(372,292)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 2,217,966	\$ 2,127,459	\$ 2,079,805	\$ 1,977,250	\$ 1,959,431
Contributions as a percentage of covered payroll	19.18%	19.20%	19.21%	19.03%	19.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 373,217	\$ 371,562	\$ 373,835	\$ 364,856	\$ 347,157
Contributions in relation to the contractually-required contribution	<u>(373,217)</u>	<u>(371,562)</u>	<u>(373,835)</u>	<u>(364,856)</u>	<u>(347,157)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 1,964,303	\$ 1,955,590	\$ 1,967,554	\$ 1,920,292	\$ 1,827,144
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	19.00%

The accompanying notes are an integral part of the required supplementary information

City of Willowick, Ohio

Required Supplementary Information Schedule of the City's Proportionate Share of the Net OPEB Liability/Asset Ohio Public Employee Retirement System

For the Last Seven Years (1)

	<u>2023 (1)</u>	<u>2022 (1)</u>			
City's proportion of the net OPEB liability/asset	0.017263%	0.017841%			
City's proportionate share of the net OPEB liability (asset)	\$ 108,846	\$ (558,808)			
City's covered payroll	\$ 2,430,714	\$ 2,607,486			
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	4.48%	21.43%			
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	128.23%			
	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
City's proportion of the net OPEB liability/asset	0.014745%	0.017556%	0.019161%	0.020020%	0.020489%
City's proportionate share of the net OPEB liability (asset)	\$ (262,693)	\$ 2,424,941	\$ 2,498,141	\$ 2,174,025	\$ 2,069,490
City's covered payroll	\$ 2,417,914	\$ 2,680,093	\$ 2,791,221	\$ 2,840,279	\$ 2,859,150
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	10.86%	90.48%	89.50%	76.54%	72.38%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57 %	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

City of Willowick, Ohio

Required Supplementary Information Schedule of the City's Proportionate Share of the Net OPEB Liability Ohio Police and Fire Pension Fund

For the Last Seven Years (1)

	<u>2023 (1)</u>	<u>2022 (1)</u>			
City's proportion of the net OPEB liability	0.073770%	0.079597%			
City's proportionate share of the net OPEB liability	\$ 525,219	\$ 872,449			
City's covered payroll	\$ 2,127,459	\$ 2,079,805			
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	24.69%	41.95%			
Plan fiduciary net position as a percentage of the total OPEB liability	52.60%	46.90%			
	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
City's proportion of the net OPEB liability	0.065603%	0.074781%	0.077927%	0.080446%	0.081805%
City's proportionate share of the net OPEB liability	\$ 695,069	\$ 738,666	\$ 709,646	\$ 4,557,958	\$ 3,883,099
City's covered payroll	\$ 1,977,250	\$ 1,959,431	\$ 1,964,303	\$ 1,955,590	\$ 1,967,554
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.15%	37.70%	36.10%	233.07%	197.36%
Plan fiduciary net position as a percentage of the total OPEB liability	45.40%	47.10%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

City of Willowick, Ohio

Required Supplementary Information Schedule of the City's OPEB Contributions Ohio Public Employee Retirement System

For the Last Eight Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually-required contribution	\$ 2,242	\$ 1,071	\$ -	\$ -
Contributions in relation to the contractually-required contribution	<u>(2,242)</u>	<u>(1,071)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 2,802,007	\$ 2,430,714	\$ 2,607,486	\$ 2,417,914
Contributions as a percentage of covered payroll	0.08%	0.04%	0.00%	0.00%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually-required contribution	\$ 32	\$ 109	\$ 28,403	\$ 57,183
Contributions in relation to the contractually-required contribution	<u>(32)</u>	<u>(109)</u>	<u>(28,403)</u>	<u>(57,183)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 2,680,093	\$ 2,791,221	\$ 2,840,279	\$ 2,859,150
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

City of Willowick, Ohio

Required Supplementary Information Schedule of the City's OPEB Contributions Ohio Police and Fire Pension Fund

For the Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 11,090	\$ 10,637	\$ 10,399	\$ 9,886	\$ 9,797
Contributions in relation to the contractually-required contribution	<u>(11,090)</u>	<u>(10,637)</u>	<u>(10,399)</u>	<u>(9,886)</u>	<u>(9,797)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 2,217,966	\$ 2,127,459	\$ 2,079,805	\$ 1,977,250	\$ 1,959,431
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 9,822	\$ 9,778	\$ 9,838	\$ 9,601	\$ 9,136
Contributions in relation to the contractually-required contribution	<u>(9,822)</u>	<u>(9,778)</u>	<u>(9,838)</u>	<u>(9,601)</u>	<u>(9,136)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 1,964,303	\$ 1,955,590	\$ 1,967,554	\$ 1,920,292	\$ 1,827,144
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%

The accompanying notes are an integral part of the required supplementary information

City of Willowick, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability/Asset

Changes in Assumptions – OPERS

Amounts reported in the required supplementary information for OPERS Traditional and Combined Plans incorporate changes in assumptions used by OPERS in calculating the pension liability. These assumptions are presented below for the periods indicated:

Key Methods and Assumptions in Valuing Total Pension Liability – 2023

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases, including 2.75% inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2023 then 2.05% Simple	3% Simple though 2023 then 2.05% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2022

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases, including 2.75% inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2022 then 2.05% Simple	3% Simple though 2022 then 2.05% Simple

City of Willowick, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2021

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	0.50% Simple through 2021 then 2.15% Simple	0.50% Simple through 2021 then 2.15% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2020

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	1.40% Simple through 2020 then 2.15% Simple	1.40% Simple through 2020 then 2.15% Simple

City of Willowick, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2019

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2017-2018

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

City of Willowick, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2016 and prior

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2010	5-year period ended December 31, 2010
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases, including 3.75% inflation	4.25 to 10.05%	4.25 to 8.05%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.8% Simple	3% Simple though 2018 then 2.8% Simple

Mortality rates – For amounts reported beginning in 2022, the measurements use pre-retirement mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). 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.

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

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

City of Willowick, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OP&F

Amounts reported for 2023 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 from 2022 and prior are presented below:

	<u>2023 to 2022</u>	
Actuarial Cost Method	Entry Age Normal	
Investment Rate of Return	7.50%	
Projected Salary Increases	3.75% to 10.50%	
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%	
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3%	
	<u>2018 to 2021</u>	<u>2017 and Prior</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.00%	8.25%
Projected Salary Increases	3.75% to 10.50%	4.25% to 11.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%	Inflation rate of 3.25% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3%	3.00% simple; 2.60% simple for increases based on the lesser of the increase in CPI and 3%

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% for males and 98.7% 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 135.0% for males and 97.9% 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% for males and 131.0% 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.

City of Willowick, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OP&F (continued)

For 2018-2021 actuarial valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>
67 or less	77%
68-77	105%
79 and up	115%

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

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

Actuarial valuation amounts reported for 2017 and prior rates of death were based on the RP-2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Note 2: Net OPEB Liability/Asset

Changes in Assumptions – OPERS

For fiscal year 2023, the municipal bond rate increased from 1.84% to 4.05%. The single discount rate decreased from 6.00% to 5.22%. The health care cost trend rate changed from 5.5% initial, 3.5% ultimate in 2034 to 5.5% initial, 3.5% ultimate in 2036.

For fiscal year 2022, the municipal bond rate decreased from 2.00% to 1.84% and wage inflation decreased from 3.25% to 2.75%. The single discount rate remained 6.00%. The health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% ultimate in 2034.

For 2021, the single discount rate changed from 3.16% in 2020 to 6.00%. For 2021, the municipal bond rate changed from 2.75% to 2.00%. For 2021, the health care cost trend rate changed from 10.5% initial, 3.5%, ultimate in 2030 to 8.5% initial, 3.5% ultimate in 2035.

City of Willowick, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2023

Note 2: Net OPEB Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

For 2020, the single discount rate changed from 3.96% in 2019 to 3.16%. For 2020, the municipal bond rate changed from 3.71% to 2.75%. For 2020, the health care cost trend rate changed from 10% initial, 3.25%, ultimate in 2029 to 10.5% initial, 3.5% ultimate in 2030.

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5% to 6.0%. For 2019, the single discount rate changed from 3.85% in 2018 to 3.96%. Prior to 2018, the single discount rate was 4.23%. For 2019, the municipal bond rate changed from 3.31% to 3.71%. For 2019, the health care cost trend rate changed from 7.5% initial, 3.25%, ultimate in 2028 to 10% initial, 3.25% ultimate in 2029.

Changes in Assumptions – OP&F

For 2023 the investment return assumption was lowered from 8.00% to 7.50%. The DROP interest crediting rate was lowered from 4.00% to 3.75%. The mortality assumption, withdrawal rates, retirement rates, and disability rates were changed. The DROP participation rate was lowered from 90% to 80%. The percent married assumption was changed from assuming 75% of members are married to 80%. The percentage of members assumed to elect a joint annuity was changed from 33% to 40% for service retirees and from 10% to 15% for disabled retirees. The percentage continued to the joint annuitant assumption was changed from 40% to 45%.

For 2022, the single discount rate changed from 2.96% to 2.84%.

For 2021, the single discount rate changed from 3.56% to 2.96%.

For 2020, the single discount rate changed from 4.66% to 3.56%.

For 2019, the single discount rate changed from 3.24% to 4.66%.

For 2018, the single discount rate changed from 3.79% to 3.24%.

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020, the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

OHIO AUDITOR OF STATE KEITH FABER



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

City of Willowick
Lake County
30435 Lakeshore Boulevard
Willowick, Ohio 44095

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willowick, 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 November 22, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

November 22, 2024

OHIO AUDITOR OF STATE KEITH FABER



CITY OF WILLOWICK

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/5/2024

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

This report is a matter of public record and is available online at
www.ohioauditor.gov