

**CITY OF SEVEN HILLS
CUYAHOGA COUNTY, OHIO**

AUDIT REPORT

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

Zupka & Associates
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Seven Hills
7325 Summitview Drive
Seven Hills, Ohio 44131

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

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 30, 2024

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**CITY OF SEVEN HILLS
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

City of Seven Hills
Cuyahoga County
7325 Summitview Drive
Seven Hills, Ohio 44131

To the Members of City Council:

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Zupka & Associates
Certified Public Accountants

June 28, 2024

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City of Seven Hills
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

The discussion and analysis of the City of Seven Hills' (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 the 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 outflow of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$37,092,560.
- The unassigned fund balance for the General Fund was \$5,559,404, or 37 percent of the total General Fund expenditures and other financing uses. For comparison purposes, as of December 31, 2022, the unassigned fund balance for the General Fund was \$7,274,264, or 56 percent of the total General Fund expenditures and other financing uses. The decrease in unassigned fund balance can be partially attributed to transfers from the general fund to other funds to pay for the 2023 roads program and parks master plan, as well as progress payments made for the new service garage pole barn.

USING THIS ANNUAL REPORT

This management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide statements; 2) fund financial statements; and 3) notes to the basic financial statements.

Government-wide Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances on a full accrual basis of accounting, which is similar to a private-sector business. The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, excluding fiduciary funds, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused sick leave).

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

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Fund Financial Statements

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

Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental funds and government-wide financial statements in a reconciliation.

Proprietary Funds - Proprietary funds are made up of enterprise funds and internal services funds. The City has two enterprise funds and no internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City utilizes enterprise funds to account for its sanitary and storm sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Sanitary and Storm Sewer Funds.

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

THE CITY AS A WHOLE

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental type and business-type activities.

City of Seven Hills
Cuyahoga County, Ohio
Management's Discussion and Analysis
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Unaudited

Table 1 - Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Assets						
Current and Other Assets	\$ 23,139,395	\$ 29,728,966	\$ 752,817	\$ 714,421	\$ 23,892,212	\$ 30,443,387
Capital Assets	35,218,830	28,576,485	10,169,960	10,267,649	45,388,790	38,844,134
Net OPEB Asset	-	598,220	-	43,182	-	641,402
Total Assets	58,358,225	58,903,671	10,922,777	11,025,252	69,281,002	69,928,923
Deferred Outflows of Resources						
Deferral on Refunding	145,470	164,444	-	-	145,470	164,444
Pension	4,778,443	2,210,597	168,223	57,612	4,946,666	2,268,209
OPEB	723,605	387,338	24,430	1,821	748,035	389,159
Total Deferred Outflows of Resources	5,647,518	2,762,379	192,653	59,433	5,840,171	2,821,812
Liabilities						
Long-term Liabilities	16,131,914	17,995,543	21,014	10,660	16,152,928	18,006,203
Net Pension Liability	11,932,489	5,377,434	390,202	122,791	12,322,691	5,500,225
Net OPEB Liability	562,611	645,003	8,129	-	570,740	645,003
Other Liabilities	2,266,581	1,868,021	51,310	106,560	2,317,891	1,974,581
Total Liabilities	30,893,595	25,886,001	470,655	240,011	31,364,250	26,126,012
Deferred Inflows of Resources						
Property Taxes	4,000,678	4,050,241	-	-	4,000,678	4,050,241
Payments in Lieu of Taxes and Lease	837,894	855,367	-	-	837,894	855,367
Sale of Future Revenues	950,000	1,000,000	-	-	950,000	1,000,000
Pension	336,768	3,328,261	1,932	148,749	338,700	3,477,010
OPEB	534,345	909,455	2,746	44,616	537,091	954,071
Total Deferred Inflows of Resources	6,659,685	10,143,324	4,678	193,365	6,664,363	10,336,689
Net Position						
Net Investment in Capital Assets	22,617,030	14,542,348	10,169,960	10,267,649	36,578,148	28,809,010
Restricted	6,430,156	9,204,483	-	-	6,430,156	9,204,483
Unrestricted	(2,594,723)	1,889,894	470,137	383,660	(5,915,744)	(1,725,459)
Total Net Position	\$ 26,452,463	\$ 25,636,725	\$ 10,640,097	\$ 10,651,309	\$ 37,092,560	\$ 36,288,034

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 12 for more information relating to debt.

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2023, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pension – an Amendment of GASB Statement 27." The City previously adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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

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

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

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

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

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

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

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

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

Total assets decreased from 2022 to 2023 in the amount of \$647,921. The decrease in assets was attributed mainly to the decrease in equity in pooled cash and cash equivalents. The changes in deferred outflows of resources, net OPEB asset, net pension liability, net OPEB liability and deferred inflows of resources are mainly due to GASB 68 and 75 as explained previously.

The implementation of GASB Statement No. 68 and 75 requires the reader to perform additional calculations to determine the City's total net position at December 31, 2023, without consideration of the net pension and OPEB liabilities. This is an important exercise, as the State Pension Systems (OPERS and OP&F) collect, hold, invest, and distribute pension to our employees, not the City. These calculations are as follows:

	Governmental Activities	Business-Type Activities	Total
Total Net Position at December 31, 2023 (with GASB 68 and 75)	\$ 26,452,463	\$ 10,640,097	\$ 37,092,560
GASB 68 and 75 Calculations:			
Add:			
Deferred Inflows related to Pension	336,768	1,932	338,700
Deferred Inflows related to OPEB	534,345	2,746	537,091
Net Pension Liability	11,932,489	390,202	12,322,691
Net OPEB Liability	562,611	8,129	570,740
Less:			
Deferred Outflows related to Pension	(4,778,443)	(168,223)	(4,946,666)
Deferred Outflows related to OPEB	(723,605)	(24,430)	(748,035)
Total Net Position (without GASB 68 and 75)	<u>\$ 34,316,628</u>	<u>\$ 10,850,453</u>	<u>\$ 45,167,081</u>

In order to further understand what makes up the changes in net position for the current year, the table on the following page gives readers further details regarding the results of activities for fiscal year 2023 with a comparative analysis to fiscal year 2022.

City of Seven Hills
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Table 2 - Change in Net Position

	Governmental Activities		Business Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for Services	\$ 2,209,136	\$ 2,247,002	\$ 681,838	\$ 616,233	\$ 2,890,974	\$ 2,863,235
Operating Grants and Contributions	1,008,568	834,662	-	-	1,008,568	834,662
Capital Grants and Contributions	641,681	2,137,788	-	-	641,681	2,137,788
General Revenues:						
Property Taxes	4,168,185	4,037,063	-	-	4,168,185	4,037,063
Municipal Income Taxes	9,361,882	9,491,266	-	-	9,361,882	9,491,266
Payment in Lieu of Taxes	725,703	643,817	-	-	725,703	643,817
Grants and Entitlements	840,469	867,623	-	-	840,469	867,623
Gain on Sale of Capital Assets	12,000	-	-	-	12,000	-
Investment Income	758,322	(134,987)	-	-	758,322	(134,987)
Other	157,893	171,651	-	-	157,893	171,651
Total Revenues	19,883,839	20,295,885	681,838	616,233	20,565,677	20,912,118
Program Expenses						
Security of Persons and Property	5,991,647	5,060,959	-	-	5,991,647	5,060,959
Public Health	1,201,213	1,093,704	-	-	1,201,213	1,093,704
Leisure Time Activities	2,600,841	1,866,130	-	-	2,600,841	1,866,130
Community and Economic Development	675,912	528,792	-	-	675,912	528,792
Basic Utility Services	15,184	-	-	-	15,184	-
Transportation	4,102,995	3,658,761	-	-	4,102,995	3,658,761
General Government	3,501,772	2,591,373	-	-	3,501,772	2,591,373
Interest and Fiscal Charges	500,622	492,487	-	-	500,622	492,487
Sanitary Sewers	-	-	718,168	878,071	718,168	878,071
Storm Sewers	-	-	452,797	427,270	452,797	427,270
Total Program Expenses	18,590,186	15,292,206	1,170,965	1,305,341	19,761,151	16,597,547
Increase (Decrease) in Net Position	1,293,653	5,003,679	(489,127)	(689,108)	804,526	4,314,571
Transfers	(477,915)	(343,174)	477,915	343,174	-	-
Change in Net Position	815,738	4,660,505	(11,212)	(345,934)	804,526	4,314,571
Net Position at Beginning of Year	25,636,725	20,976,220	10,651,309	10,997,243	36,288,034	31,973,463
Net Position at End of Year	<u>\$ 26,452,463</u>	<u>\$ 25,636,725</u>	<u>\$ 10,640,097</u>	<u>\$ 10,651,309</u>	<u>\$ 37,092,560</u>	<u>\$ 36,288,034</u>

The City's largest revenue source is income tax. The City's income tax rate is 2.5 percent on gross income. There is a 100 percent credit for income taxes paid to another community subject to a cap and net profits of 1.65 percent. The City's collection agency is the Regional Income Tax Agency located in Brecksville, Ohio. During 2023, income tax revenue decreased by 1.4 percent. This was a result of decreases in collections and refunds issued to taxpayers.

The second largest revenue source for 2023 was property taxes. The full voted rate for 2023 was 13.24 mills. A mill is \$1.00 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property effective tax rate levied by the City of Seven Hills. During 2023, the property tax collected was \$4.2 million, which was a 3.3 percent increase from 2022 collections.

The third largest revenue source for 2023 was charges for services, which decreased 1.7 percent from 2022 to 2023. This decrease was due to accrual adjustments.

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In 2023, there was a decrease of \$1.5 million in capital grants and contributions mostly caused by a decrease in ARPA funding compared to 2022. Investment income increased in 2023 by \$0.9 million, due to increase in interest rates and change in fair market value.

The provisions of GASB Statements 68 and 75 require the City to recognize a pension/OPEB adjustment that increases expenses by \$800,167 in 2023 and reduced expenses by \$1,201,801 in 2022. As a result, it is difficult to ascertain the true operational cost of services and the changes in cost of service from year to year. The table below shows the total expenses by function with the GASB Statements 68 and 75 pension and OPEB costs removed.

EXPENSES	Governmental Activities	
	2023	2022
Program Expenses:		
Security of Persons and Property	\$ 5,525,228	\$ 5,169,610
Public Health	1,192,252	1,124,969
Leisure Time Activities	2,517,753	2,119,462
Community and Economic Development	652,087	618,632
Basic Utility Services	15,184	-
Transportation	3,991,176	4,039,906
General Government	3,395,717	2,928,941
Interest and Fiscal Charges	500,622	492,487
Total Expenses	\$ 17,790,019	\$ 16,494,007

Expenses are categorized by programs. The largest program, Security of Persons and Property, which includes police, fire, and public safety, was approximately 31 percent of governmental expenses before the effect of pension/OPEB adjustments. The Police Department is made up of one chief, one lieutenant, four sergeants, 11 full-time officers, three part-time officers, and one full-time secretary. The Fire Department is composed of one full-time chief and 51 part-time employees, consisting of two captains, five lieutenants, and 44 firefighters/paramedics.

The second largest program is Transportation, which approximated 22 percent of the governmental expenses before the effect of pension/OPEB adjustments, and is related to the Service Department operations involving City street, sewer, and landscaping maintenance. Transportation expense before pension/OPEB adjustments decreased by about 1 percent in 2023, mostly due to accrual adjustments.

The third largest category is General Government, which approximated 19 percent of the governmental expenses before pension/OPEB adjustments, and is related to the City Hall activities such as Finance, Law, City Council, and the Mayor's Office. General Government expenses increased by about 16 percent mainly due to expenditures related to the new service garage pole barn and Americans with Disabilities Act (ADA) compliance assessments.

Business-type activities charges for services revenue increased by \$65,605 or 11 percent from 2022 to 2023. Total business-type expenses of \$1,170,965 in 2023 was a decrease of \$134,376 from 2022, due to a decrease in sewer maintenance expenditures. Due to the allocation of pension and OPEB expenses, the Sanitary Sewer Fund experienced a decrease to expenditures, causing a negative balance to be reported for fringe benefits.

City of Seven Hills
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$9,786,675. \$5,923,696 of the ending combined fund balance for 2023 constitutes *assigned and unassigned fund balance* combined, which is available for spending at the government's discretion. The remainder of fund balance is *non-spendable, restricted, or committed* to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints.

The General Fund is the chief operating fund of the City. At the beginning of the current year, total fund balance for the General Fund was \$8,266,899. General Fund expenditures (including transfers out) for the current year were \$15,108,112 with revenues and other financing sources of \$13,858,608 leaving a total fund balance of \$7,017,395 and an unassigned balance of \$5,559,404 in the General Fund. The decrease in fund balance is partially due to transfers to other funds to pay for the 2023 roads program and parks master plan, as well as progress payments made for the new service garage pole barn.

The Fire Levy Fund had a decrease in fund balance from \$249,564 in 2022 to \$87,503 in 2023. The decrease can be attributed to negotiated wage increases.

The General Obligation Bond Retirement Fund had a deficit year-end balance of \$680,248, a decrease of \$176,118 from 2022. The decrease can be attributed to scheduled principal and interest payments on outstanding debt.

The Special Assessment Bond Retirement Fund had an increase in fund balance from \$23,167 in 2022 to \$33,958 in 2023. The increase can be attributed to a decrease in principal and interest payments for the current year.

The Capital Improvement Fund had a fund balance of \$63,389, which was a decrease of \$1,914,431 from 2022. The decrease can be attributed to payments made towards the 2023 roads program and Calvin Park Drainage Phase II improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The most significant budgeted fund is the General Fund. Over the course of the year, the City Council revised the City's General Fund budget to prevent budget overruns.

For the General Fund, final budgeted basis revenue (includes Other Financing Sources) was \$124,027 less than the actual revenue of \$13,668,884. The original appropriations (includes Other Financing Uses) of \$14,114,115 were increased to \$16,852,570. The increase in appropriations was mainly attributed to an increase in general government expenditures and transfers to other funds. Even with these adjustments the actual charges to appropriations (expenditures) were \$905,937 below the final budgeted amounts for the General Fund.

City of Seven Hills
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City had \$45,388,790 invested in a broad range of capital assets, including land, land improvements, construction in progress, buildings, structures, and improvements, furniture and fixtures, equipment and vehicles, intangible right-to-use lease, and infrastructure.

Table 3 - Capital Assets (Net of Depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 1,489,422	\$ 1,489,422	\$ -	\$ -	\$ 1,489,422	\$ 1,489,422
Construction in Progress	5,842,991	3,792,485	-	52,500	5,842,991	3,844,985
Land Improvements	386,699	172,865	-	-	386,699	172,865
Buildings, Structures, and Improvements	7,114,380	7,639,213	17,707	18,323	7,132,087	7,657,536
Furniture and Fixtures	186,300	1,785	-	-	186,300	1,785
Equipment and Vehicles	3,634,598	3,674,093	21,464	17,017	3,656,062	3,691,110
Intangible Right-to-use Lease - Equipment	59,992	77,132	-	-	59,992	77,132
Infrastructure						
Roads	16,161,484	11,382,478	-	-	16,161,484	11,382,478
Sanitary Sewers	-	-	8,965,989	9,555,811	8,965,989	9,555,811
Storm Sewers	-	-	1,164,800	623,998	1,164,800	623,998
Retaining Wall	94,365	49,507	-	-	94,365	49,507
Bike Trail	248,599	297,505	-	-	248,599	297,505
Total Capital Assets	\$ 35,218,830	\$ 28,576,485	\$ 10,169,960	\$ 10,267,649	\$ 45,388,790	\$ 38,844,134

The City had an increase of \$1,998,006 in construction in progress, mainly due to progress on the City's parks and rec bond project. The City also made various purchases of land improvements, buildings and improvements, furniture and fixtures, vehicles and equipment, and infrastructure which totaled \$3,945,057. See Note 8 for additional information about capital assets.

Debt

The City had \$14,744,785 in outstanding debt at year-end 2023 as shown in Table 4.

Table 4 - Outstanding Debt

	Governmental	
	Activities	
	2023	2022
Short Term Debt		
Notes Payable	\$ 350,655	\$ 350,818
Long Term Debt		
General Obligation Bonds	5,280,000	6,255,000
Renew Energy Bonds	953,949	1,093,744
Special Assessment Bonds	3,415,000	3,625,000
Long Term Notes	3,802,097	4,154,689
OWDA Loans	401,158	419,013
Financed Purchases and Leases	541,926	612,360
Total Outstanding Debt	\$ 14,744,785	\$ 16,510,624

City of Seven Hills
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined in the Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of percentage. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions within other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. This millage is measured against the property values in each overlapping district.

More detailed information of the City's long-term liabilities is presented in the notes to the financial statements.

In August 2021, Moody's Investors Service assigned an Aa3 rating to the City's general obligation debt. Moody's affirmed the Aa3 rating in December 2022. The higher rating allows the City to borrow funds at a lower interest rate, which helps save taxpayer dollars. Moody's cited that the City benefits from a healthy financial position, strong resident income profile, and modestly-sized, but growing tax base located near Cleveland.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2023 budget. They primarily considered the impact of its two primary revenue sources: income tax revenue and property taxes.

The final General Fund budget in 2023 was \$16,852,570 and is expected to decrease during 2024 since the City is not budgeting for transfers to the Capital Improvement Fund for future projects in 2024. If the General Fund has a surplus at the end of 2024, the City could amend the budget to transfer those excess funds to the Capital Improvement Fund or to the General Obligation Bond Retirement Fund to pay down debt. The City is aware of budgetary constraints and continues seeking cost stabilization as well as enhanced revenues.

On March 19, 2024, voters passed a 0.5 mill five-year renewal levy for the purpose of acquiring motorized vehicles and equipment, including a street sweeper, a tractor with front-end loader and backhoe, a mower, dump trucks, pick-up trucks, and snowplow assemblies, salt spreaders and other related equipment for use in carrying out the functions of the Service Department. The levy is estimated to collect \$159,000 annually commencing in 2024, first due in calendar year 2025. The passage of this levy reduces the reliance on general funds for vehicles and equipment needed for the Service Department.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Richard Petrunyak, Finance Director, at 216-525-6242.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 11,053,663	\$ 722,296	\$ 11,775,959
Materials and Supplies Inventory	69,047	-	69,047
Accounts Receivable	156,609	29,479	186,088
Accrued Interest Receivable	22,700	-	22,700
Intergovernmental Receivable	1,226,192	-	1,226,192
Prepaid Items	53,419	1,042	54,461
Municipal Income Taxes Receivable	2,982,282	-	2,982,282
Property and Other Taxes Receivable	4,861,702	-	4,861,702
Lease Receivable	128,038	-	128,038
Loans Receivable	200,000	-	200,000
Special Assessments Receivable	2,385,743	-	2,385,743
Nondepreciable Capital Assets	7,332,413	-	7,332,413
Depreciable Capital Assets	27,886,417	10,169,960	38,056,377
Total Assets	58,358,225	10,922,777	69,281,002
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	145,470	-	145,470
Pension	4,778,443	168,223	4,946,666
OPEB	723,605	24,430	748,035
Total Deferred Outflows of Resources	5,647,518	192,653	5,840,171
LIABILITIES			
Accounts Payable	267,956	19,571	287,527
Contracts Payable	350,534	-	350,534
Accrued Wages and Benefits	342,830	9,738	352,568
Intergovernmental Payable	137,631	22,001	159,632
Accrued Interest Payable	178,025	-	178,025
Retainage Payable	527,618	-	527,618
Unearned Revenue	111,332	-	111,332
Notes Payable	350,655	-	350,655
Long-term Liabilities:			
Due within one year	4,737,857	18,704	4,756,561
Due in more than one year:			
Net Pension Liability	11,932,489	390,202	12,322,691
Net OPEB Liability	562,611	8,129	570,740
Other Amounts due in more than one year	11,394,057	2,310	11,396,367
Total Liabilities	30,893,595	470,655	31,364,250
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	4,000,678	-	4,000,678
Payments in Lieu of Taxes and Lease	837,894	-	837,894
Sale of Future Revenues	950,000	-	950,000
Pension	336,768	1,932	338,700
OPEB	534,345	2,746	537,091
Total Deferred Inflows of Resources	6,659,685	4,678	6,664,363
NET POSITION			
Net Investment in Capital Assets	22,617,030	10,169,960	28,995,832
Restricted for:			
Capital Projects	3,571,112	-	3,571,112
Streets and Highways	978,258	-	978,258
Fire Department Squad Assistance	192,940	-	192,940
Refuse	790,412	-	790,412
Other Purpose	897,434	-	897,434
Unrestricted	(2,594,723)	470,137	1,666,572
Total Net Position	\$ 26,452,463	\$ 10,640,097	\$ 37,092,560

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for the governmental or business-type activities, but has been reflected in the entity-wide total. See Note 12.

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Activities
For the Year Ended December 31, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
Primary Government:							
Governmental activities:							
Security of Persons and Property	\$ 5,991,647	\$ 556,332	\$ 99,739	\$ -	\$ (5,335,576)	\$ -	\$ (5,335,576)
Public Health	1,201,213	-	7,177	-	(1,194,036)	-	(1,194,036)
Leisure Time Activities	2,600,841	1,246,111	2,350	441,581	(910,799)	-	(910,799)
Community and Economic Development	675,912	181,566	-	21,639	(472,707)	-	(472,707)
Basic Utility Services	15,184	100	-	178,461	163,377	-	163,377
Transportation	4,102,995	1,500	888,354	-	(3,213,141)	-	(3,213,141)
General Government	3,501,772	223,527	10,948	-	(3,267,297)	-	(3,267,297)
Interest and Fiscal Charges	500,622	-	-	-	(500,622)	-	(500,622)
<i>Total Governmental activities</i>	<u>18,590,186</u>	<u>2,209,136</u>	<u>1,008,568</u>	<u>641,681</u>	<u>(14,730,801)</u>	<u>-</u>	<u>(14,730,801)</u>
Business-type activities:							
Sanitary Sewers	718,168	190,246	-	-	-	(527,922)	(527,922)
Storm Sewers	452,797	491,592	-	-	-	38,795	38,795
<i>Total Business-type activities</i>	<u>1,170,965</u>	<u>681,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(489,127)</u>	<u>(489,127)</u>
<i>Total Primary Government</i>	<u>\$ 19,761,151</u>	<u>\$ 2,890,974</u>	<u>\$ 1,008,568</u>	<u>\$ 641,681</u>	<u>(14,730,801)</u>	<u>(489,127)</u>	<u>(15,219,928)</u>
General Revenues:							
Property Taxes levied for:							
General Purposes					1,215,208	-	1,215,208
Other Purposes					2,952,977	-	2,952,977
Municipal Income Taxes levied for:							
General Purposes					9,361,882	-	9,361,882
Payments in Lieu of Taxes					725,703	-	725,703
Grants & Entitlements not restricted to specific programs					840,469	-	840,469
Investment Income					758,322	-	758,322
Gain on Sale of Capital Assets					12,000	-	12,000
All Other Revenues					157,893	-	157,893
Transfers					(477,915)	477,915	-
Total General Revenues					<u>15,546,539</u>	<u>477,915</u>	<u>16,024,454</u>
Change in Net Position					815,738	(11,212)	804,526
Net Position - Beginning of Year					25,636,725	10,651,309	36,288,034
Net Position - End of Year					<u>\$ 26,452,463</u>	<u>\$ 10,640,097</u>	<u>\$ 37,092,560</u>

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Balance Sheet
Governmental Funds
December 31, 2023

	General Fund	Fire Levy	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$ 6,399,977	\$ 107,187	\$ 545,611	\$ 33,958	\$ 328,772	\$ 3,638,158	\$ 11,053,663
Materials and Supplies Inventory	23,872	-	-	-	-	45,175	69,047
Accrued Interest Receivable	22,136	-	-	-	-	564	22,700
Accounts Receivable	108,169	-	-	-	-	48,440	156,609
Intergovernmental Receivable	560,616	52,862	-	-	147,000	465,714	1,226,192
Prepaid Items	44,044	7,865	-	-	-	1,510	53,419
Municipal Income Taxes Receivable	2,982,282	-	-	-	-	-	2,982,282
Property and Other Taxes Receivable	1,211,117	1,530,299	-	-	-	2,120,286	4,861,702
Special Assessments Receivable	-	-	-	2,385,743	-	-	2,385,743
Loans Receivable	200,000	-	-	-	-	-	200,000
Lease Receivable	128,038	-	-	-	-	-	128,038
Total Assets	<u>\$ 11,680,251</u>	<u>\$ 1,698,213</u>	<u>\$ 545,611</u>	<u>\$ 2,419,701</u>	<u>\$ 475,772</u>	<u>\$ 6,319,847</u>	<u>\$ 23,139,395</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 200,254	\$ 21,557	\$ 12,000	\$ -	\$ 24,977	\$ 9,168	\$ 267,956
Accrued Wages and Benefits	342,830	-	-	-	-	-	342,830
Contracts Payable	78,028	-	-	-	-	272,506	350,534
Intergovernmental Payable	125,600	5,992	-	-	-	6,039	137,631
Accrued Interest Payable	-	-	11,484	-	-	-	11,484
Retainage Payable	45,376	-	-	-	240,406	241,836	527,618
Unearned Revenue	54,140	-	-	-	-	57,192	111,332
Notes Payable	-	-	350,655	-	-	-	350,655
Total Liabilities	<u>846,228</u>	<u>27,549</u>	<u>374,139</u>	<u>-</u>	<u>265,383</u>	<u>586,741</u>	<u>2,100,040</u>
Deferred Inflows of Resources:							
Property Taxes, Payment in Lieu of Taxes and Lease	1,291,134	1,477,724	-	-	-	2,069,714	4,838,572
Sale of Future Revenues	98,280	-	851,720	-	-	-	950,000
Unavailable Revenue - Delinquent Property Taxes	45,301	52,575	-	-	-	50,572	148,448
Unavailable Revenue - Income Taxes	1,632,983	-	-	-	-	-	1,632,983
Unavailable Revenue - Special Assessments	-	-	-	2,385,743	-	-	2,385,743
Unavailable Revenue - Other	748,930	52,862	-	-	147,000	348,142	1,296,934
Total Deferred Inflows of Resources	<u>3,816,628</u>	<u>1,583,161</u>	<u>851,720</u>	<u>2,385,743</u>	<u>147,000</u>	<u>2,468,428</u>	<u>11,252,680</u>
Fund Balances:							
Nonspendable	267,916	7,865	-	-	-	46,685	322,466
Restricted	-	79,638	-	33,958	63,389	2,519,995	2,696,980
Committed	145,535	-	-	-	-	697,998	843,533
Assigned	1,044,540	-	-	-	-	-	1,044,540
Unassigned (Deficit)	5,559,404	-	(680,248)	-	-	-	4,879,156
Total Fund Balances (Deficit)	<u>7,017,395</u>	<u>87,503</u>	<u>(680,248)</u>	<u>33,958</u>	<u>63,389</u>	<u>3,264,678</u>	<u>9,786,675</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,680,251</u>	<u>\$ 1,698,213</u>	<u>\$ 545,611</u>	<u>\$ 2,419,701</u>	<u>\$ 475,772</u>	<u>\$ 6,319,847</u>	<u>\$ 23,139,395</u>

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2023

Total Governmental Funds Balance \$ 9,786,675

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 35,218,830

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

Delinquent property taxes	\$	148,448	
Municipal income taxes		1,632,983	
Special assessments		2,385,743	
Intergovernmental		1,055,861	
Charges for services		34,073	
Loans Receivable		207,000	
Total			5,464,108

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (166,541)

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

Deferred Outflows - Pension		4,778,443	
Deferred Inflows - Pension		(336,768)	
Net Pension Liability		(11,932,489)	
Deferred Outflows - OPEB		723,605	
Deferred Inflows - OPEB		(534,345)	
Net OPEB Liability		(562,611)	
Total			(7,864,165)

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

General obligation bonds		(5,280,000)	
Renew Energy Bond		(953,949)	
Special assessment bonds		(3,415,000)	
Long Term Notes		(3,802,097)	
OWDA Loans		(401,158)	
Deferral on refundings		145,470	
Unamortized premiums		(1,046,516)	
Compensated absences		(691,268)	
Leases and Financed Purchases		(541,926)	
Total			(15,986,444)

Net Position of Governmental Activities \$ 26,452,463

The notes to the basic financial statements are an integral part of this statement.

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

	General Fund	Fire Levy	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 1,208,523	\$ 1,530,320	\$ -	\$ -	\$ -	\$ 1,407,581	\$ 4,146,424
Municipal Income Taxes	9,292,789	-	-	-	-	-	9,292,789
Payments in Lieu of Taxes	-	-	-	-	-	725,703	725,703
Intergovernmental	618,782	105,723	-	-	-	1,506,704	2,231,209
Interest	736,472	-	-	-	-	21,850	758,322
Fees, Licenses, and Permits	321,138	-	-	-	-	-	321,138
Fines and Forfeitures	175,467	-	-	-	-	29,839	205,306
Rentals	26,265	-	-	-	-	-	26,265
Charges for Services	1,243,511	-	-	-	-	402,712	1,646,223
Contributions and Donations	13,298	-	-	-	-	-	13,298
Special Assessments	-	-	-	278,886	-	-	278,886
Lease	37,595	-	-	-	-	-	37,595
All Other Revenues	184,718	323	44,828	-	-	22	229,891
Total Revenues	13,858,558	1,636,366	44,828	278,886	-	4,094,411	19,913,049
EXPENDITURES							
Current:							
Security of Persons and Property	3,334,740	1,774,797	-	-	-	324,364	5,433,901
Public Health	78,055	-	-	-	-	1,122,177	1,200,232
Leisure Time Activities	2,038,531	-	-	-	-	54,268	2,092,799
Community and Economic Development	617,803	-	-	-	-	17,700	635,503
Basic Utility Services	-	-	-	-	-	7,284	7,284
Transportation	1,689,472	-	-	-	-	1,814,618	3,504,090
General Government	3,900,818	-	-	9,071	-	-	3,909,889
Capital Outlay	384,782	23,630	-	-	3,419,504	3,819,982	7,647,898
Debt Service:							
Principal Retirement	55,093	-	5,146,284	171,366	-	185,341	5,558,084
Interest and Fiscal Charges	12,666	-	265,531	87,658	-	147,953	513,808
Debt Issuance Costs	-	-	29,197	-	-	-	29,197
Total Expenditures	12,111,960	1,798,427	5,441,012	268,095	3,419,504	7,493,687	30,532,685
Excess of Revenues Over (Under) Expenditures	1,746,598	(162,061)	(5,396,184)	10,791	(3,419,504)	(3,399,276)	(10,619,636)
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets	50	-	-	-	11,950	-	12,000
Bond Anticipation Notes Issued	-	-	3,795,000	-	-	-	3,795,000
Premium on Debt Issuance	-	-	28,387	-	-	-	28,387
Transfers In	-	-	1,396,679	-	1,493,123	550,431	3,440,233
Transfers Out	(2,996,152)	-	-	-	-	(444,081)	(3,440,233)
Total Other Financing Sources (Uses)	(2,996,102)	-	5,220,066	-	1,505,073	106,350	3,835,387
Net Change in Fund Balances	(1,249,504)	(162,061)	(176,118)	10,791	(1,914,431)	(3,292,926)	(6,784,249)
Fund Balances (Deficit) - Beginning of Year	8,266,899	249,564	(504,130)	23,167	1,977,820	6,557,604	16,570,924
Fund Balances (Deficit) - End of Year	\$ 7,017,395	\$ 87,503	\$ (680,248)	\$ 33,958	\$ 63,389	\$ 3,264,678	\$ 9,786,675

The notes to the basic financial statements are an integral part of this statement.

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

Net Change in Fund Balances-Total Governmental Funds \$ (6,784,249)

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

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

Capital Outlay	\$ 8,242,134	
Capital Contributions	477,915	
Depreciation	(2,077,704)	
Total	6,642,345	6,642,345

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

Delinquent property taxes	21,761	
Municipal income taxes	69,093	
Special assessments	(257,247)	
Intergovernmental	224,572	
Charges for services	(27,591)	
Loans Receivable	(71,998)	
Total	(41,410)	(41,410)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of leases, notes, bonds, and the related premium. (3,823,387)

Repayment of principal on the City's bonds, notes and loans, and payment to refunded bond escrow agent are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 5,558,084

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

Pension		830,943
OPEB		13,902

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

Pension		(1,826,659)
OPEB		181,647

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	22,139	
Accrued Interest on Bonds	(45,436)	
Amortization of Bond and Note Premiums	106,793	
Amortization of Deferral on Refunding	(18,974)	
Total	64,522	64,522

Change in Net Position of Governmental Activities \$ 815,738

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Property Taxes	\$ 1,180,236	\$ 1,180,236	\$ 1,208,523	\$ 28,287
Municipal Income Taxes	9,551,000	9,551,000	9,350,769	(200,231)
Intergovernmental	892,070	892,070	642,110	(249,960)
Interest	120,000	120,000	575,380	455,380
Fines, Licenses, and Permits	331,550	331,550	311,477	(20,073)
Fines and Forfeitures	129,000	129,000	164,220	35,220
Rentals	62,000	62,000	66,265	4,265
Charges for Services	1,214,400	1,214,400	1,255,201	40,801
Contributions and Donations	8,500	8,500	13,298	4,798
All Other Revenues	55,601	55,601	81,591	25,990
Total Revenues	<u>13,544,357</u>	<u>13,544,357</u>	<u>13,668,834</u>	<u>124,477</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	4,026,477	4,026,477	3,717,770	308,707
Public Health	79,352	79,352	78,055	1,297
Leisure Time Activities	2,033,815	2,472,005	2,265,941	206,064
Community and Economic Development	665,134	691,134	625,079	66,055
Transportation	1,781,025	1,906,025	1,776,691	129,334
General Government	3,106,714	4,588,666	4,394,186	194,480
Interest and Fiscal Charges	-	67,759	67,759	-
Total Expenditures	<u>11,692,517</u>	<u>13,831,418</u>	<u>12,925,481</u>	<u>905,937</u>
Excess of Revenues Over (Under) Expenditures	<u>1,851,840</u>	<u>(287,061)</u>	<u>743,353</u>	<u>1,030,414</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	500	500	50	(450)
Transfers Out	(2,421,598)	(3,021,152)	(3,021,152)	-
Total Other Financing Sources (Uses)	<u>(2,421,098)</u>	<u>(3,020,652)</u>	<u>(3,021,102)</u>	<u>(450)</u>
Net Change in Fund Balance	(569,258)	(3,307,713)	(2,277,749)	1,029,964
Fund Balances, Beginning	6,598,625	6,598,625	6,598,625	-
Prior Year Encumbrances Appropriated	568,573	568,573	568,573	-
Fund Balances, Ending	<u>\$ 6,597,940</u>	<u>\$ 3,859,485</u>	<u>\$ 4,889,449</u>	<u>\$ 1,029,964</u>

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (Non-GAAP Budgetary Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES:				
Intergovernmental	\$ 103,580	\$ 103,580	\$ 105,723	\$ 2,143
Property Taxes	1,499,303	1,499,303	1,530,320	31,017
Miscellaneous	316	316	323	7
Total Revenues	<u>1,603,199</u>	<u>1,603,199</u>	<u>1,636,366</u>	<u>33,167</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	1,752,954	1,812,954	1,854,326	(41,372)
Total Expenditures	<u>1,752,954</u>	<u>1,812,954</u>	<u>1,854,326</u>	<u>(41,372)</u>
Net Change in Fund Balance	(149,755)	(209,755)	(217,960)	(8,205)
Fund Balances, Beginning	240,669	240,669	240,669	-
Prior Year Encumbrances Appropriated	10,804	10,804	10,804	-
Fund Balances, Ending	<u>\$ 101,718</u>	<u>\$ 41,718</u>	<u>\$ 33,513</u>	<u>\$ (8,205)</u>

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2023

	Enterprise Funds		
	Sanitary Sewers	Storm Sewers	Total
ASSETS			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 47,766	\$ 674,530	\$ 722,296
Accounts Receivable	8,844	20,635	29,479
Prepaid Items	521	521	1,042
Total Current Assets	<u>57,131</u>	<u>695,686</u>	<u>752,817</u>
Noncurrent Assets:			
Capital Assets:			
Depreciable Assets, Net of Depreciation	8,978,335	1,191,625	10,169,960
Total Noncurrent Assets	<u>8,978,335</u>	<u>1,191,625</u>	<u>10,169,960</u>
Total Assets	<u>9,035,466</u>	<u>1,887,311</u>	<u>10,922,777</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	44,139	124,084	168,223
OPEB	6,410	18,020	24,430
Total Deferred Outflows of Resources	<u>50,549</u>	<u>142,104</u>	<u>192,653</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,643	13,928	19,571
Accrued Wages and Benefits	4,869	4,869	9,738
Compensated Absences Payable	8,941	9,763	18,704
Intergovernmental Payable	14,894	7,107	22,001
Total Current Liabilities	<u>34,347</u>	<u>35,667</u>	<u>70,014</u>
Noncurrent Liabilities:			
Compensated Absences Payable	507	1,803	2,310
Net Pension Liability	102,384	287,818	390,202
Net OPEB Liability	2,133	5,996	8,129
Total Noncurrent Liabilities	<u>105,024</u>	<u>295,617</u>	<u>400,641</u>
Total Liabilities	<u>139,371</u>	<u>331,284</u>	<u>470,655</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	507	1,425	1,932
OPEB	721	2,025	2,746
Total Deferred Inflows of Resources	<u>1,228</u>	<u>3,450</u>	<u>4,678</u>
NET POSITION			
Investment in Capital Assets	8,978,335	1,191,625	10,169,960
Unrestricted	(32,919)	503,056	470,137
Total Net Position	<u>\$ 8,945,416</u>	<u>\$ 1,694,681</u>	<u>\$ 10,640,097</u>

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Enterprise Funds		
	Sanitary Sewers	Storm Sewers	Total
OPERATING REVENUES			
Charges for Services	\$ 190,246	\$ 491,592	\$ 681,838
Total Operating Revenues	<u>190,246</u>	<u>491,592</u>	<u>681,838</u>
OPERATING EXPENSES			
Salaries	66,114	182,828	248,942
Fringe Benefits	(15,653)	128,939	113,286
Materials and Supplies	10,884	9,068	19,952
Contractual Services	60,161	81,133	141,294
Maintenance	2,740	16,436	19,176
Depreciation	591,798	34,393	626,191
Other	2,124	-	2,124
Total Operating Expense	<u>718,168</u>	<u>452,797</u>	<u>1,170,965</u>
Operating Income (Loss)	(527,922)	38,795	(489,127)
Capital Contributions	-	477,915	477,915
Change in Net Position	<u>(527,922)</u>	<u>516,710</u>	<u>(11,212)</u>
Net Position - Beginning of Year	9,473,338	1,177,971	10,651,309
Net Position - End of Year	<u>\$ 8,945,416</u>	<u>\$ 1,694,681</u>	<u>\$ 10,640,097</u>

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	<u>Enterprise Funds</u>		
	<u>Sanitary Sewers</u>	<u>Storm Sewers</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Charges for Services	\$ 191,249	\$ 498,187	\$ 689,436
Cash Payments to Employees for Services and Benefits	(91,547)	(268,020)	(359,567)
Cash Payments for Goods and Services	(82,336)	(151,994)	(234,330)
Net Cash Provided by (Used in) Operating Activities	<u>17,366</u>	<u>78,173</u>	<u>95,539</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments for Capital Acquisitions	(3,796)	(46,791)	(50,587)
Net Cash (Used in) Capital and Related Financing Activities	<u>(3,796)</u>	<u>(46,791)</u>	<u>(50,587)</u>
Net (Decrease) in Cash and Cash Equivalents	13,570	31,382	44,952
Cash and Cash Equivalents - Beginning of Year	34,196	643,148	677,344
Cash and Cash Equivalents - End of Year	<u>\$ 47,766</u>	<u>\$ 674,530</u>	<u>\$ 722,296</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (527,922)	\$ 38,795	\$ (489,127)
Adjustments:			
Depreciation	591,798	34,393	626,191
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	1,003	6,595	7,598
Prepaid Items	(521)	(521)	(1,042)
Deferred Outflows of Resources - Pension	(17,511)	(93,100)	(110,611)
Deferred Outflows of Resources - OPEB	(5,568)	(17,041)	(22,609)
Net OPEB Asset	19,959	23,223	43,182
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	(19,564)	(49,412)	(68,976)
Accrued Wages and Benefits	(2,040)	(2,039)	(4,079)
Compensated Absences Payable	4,118	6,236	10,354
Intergovernmental Payable	13,997	3,808	17,805
Net Pension Liability	45,630	221,781	267,411
Net OPEB Liability	2,133	5,996	8,129
Deferred Inflows of Resources - Pension	(68,245)	(78,572)	(146,817)
Deferred Inflows of Resources - OPEB	(19,901)	(21,969)	(41,870)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 17,366</u>	<u>\$ 78,173</u>	<u>\$ 95,539</u>
<u>Schedule of Noncash Investing, Capital, and Related Financing Activities</u>			
Capital Contributions from Governmental Activities	\$ -	\$ 477,915	\$ 477,915

The notes to the basic financial statements are an integral part of this statement.

City of Seven Hills
Cuyahoga County, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2023

	<u>Custodial Funds</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 12,808
Total Assets	<u>12,808</u>
LIABILITIES	
Due to External Party	<u>222</u>
Total Liabilities	<u>222</u>
NET POSITION	
Restricted For:	
Individuals, Organizations, and Other Governments	<u>12,586</u>
Total Net Position	<u>\$ 12,586</u>

The notes to the basic financial statements are an integral part of this statement

City of Seven Hills
Cuyahoga County, Ohio
Statement of Change in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2023

	Custodial Funds
ADDITIONS	
Licenses, Permits, & Fees Distributions for Other Governments	1,182
Miscellaneous	43,610
Total Additions	44,792
DEDUCTIONS	
Licenses, Permits, & Fees Distributions to Other Governments	44,898
Total Deductions	44,898
Net Increase in Fiduciary Net Position	(106)
Net Position - Beginning of Year	12,692
Net Position - End of Year	\$ 12,586

The notes to the basic financial statements are an integral part of this statement

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 1: **DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City

The City of Seven Hills, Ohio (the “City”) is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter was first adopted by the electorate on October 10, 1966. The charter provides for a Mayor/Council form of government. Elected officials include seven Council members, Mayor and Law Director.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity - Amendments of GASB Statements No. 14 and No. 34*, in that financial statements include all organizations, activities, and functions for which the City is financially accountable. Under this Statement, the financial reporting entity is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity and there is a financial benefit or burden. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable.

On this basis, the City’s financial reporting entity has no component units but includes all funds, agencies, boards, and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services, and general administrative services.

The City is associated with certain organizations which are identified as jointly governed organizations. These organizations are described in Note 17. These organizations are:

Southwest Council of Governments
Parma Community General Hospital Association
Northeast Ohio Public Energy Council
Cuyahoga Valley Council of Governments
Chagrin Valley Dispatch Council

The City has a Mayor’s Court in which the general operations are reflected in the General Fund and the bonds collected on pending cases are reflected in the General Fund. The Mayor is an elected City official who has a fiduciary responsibility for the collection and distribution of the court fines and fees.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Presentation**

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

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

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

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary 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.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

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 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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract 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 Charter of the City of Seven Hills and/or the general laws of Ohio.

Fire Levy Fund – To account for the fire department operating expenses which do not pertain to ambulance specific obligations which are allocated to the Fire Department Squad Assistance Fund.

General Obligation Bond Retirement Fund – To account for the payment of principal and interest on bonds and notes authorized by legislation.

Special Assessment Bond Retirement Fund – To accumulate special revenue collected and remitted to the City by the County Fiscal Officer for payment of Special Assessment bonds and coupons.

Capital Improvement Fund – To account for grants and transfers from the General Fund whose use is restricted for various capital projects in the City.

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

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.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

B. **Fund Accounting** (Continued)

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has two major Enterprise funds.

Sanitary Sewers Fund - To account for expenses associated with the management, maintenance, operation, testing, cleaning, enlargement, replacement, reconstruction and repair of sanitary sewers.

Storm Sewers Fund - To account for expenses associated with the management, maintenance, operation, testing, cleaning, enlargement, replacement, reconstruction and repair of storm sewers.

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's fiduciary funds are custodial funds. The City has two custodial funds; the BBS Assessment fund and the Employee Health Deductions & Cobra fund.

C. **Measurement Focus**

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

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 along with current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

C. **Measurement Focus** (Continued)

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 along with liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund 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, and the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, of which the City receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 60 days of 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. Revenue from property taxes is recognized in the year for which the taxes are levied (Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

D. **Basis of Accounting** (Continued)

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 and motor vehicle license fees), fines and forfeitures, interest, entitlements, and rentals.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For the City, deferred outflows of resources include a deferral on refunding, pension and OPEB reported in the government-wide statement of net position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, payments in lieu of taxes, sale of future revenues, and unavailable revenues. 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 year 2024 operations. These amounts and sale of future cell tower revenue, which were finalized in previous years, have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, intergovernmental grants, special assessments, loans, and charges for services. These amounts are deferred and recognized as inflows 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 (See Notes 9 and 10).

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

D. **Basis of Accounting** (Continued)

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.

All proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services are recognized as revenue in the period when the service is provided.

E. **Budgetary Process**

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

These appropriations distinguish the personal services and other costs for every division and expenditures may not legally exceed the amount appropriated at this level. The legal level of budgetary control is at the Fund, Department, Personal Services and Other Expenses level for all funds.

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

E. **Budgetary Process** (Continued)

Budgetary Basis of Accounting - While the City is 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. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and Fire Levy Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes;
2. Expenditures are recorded when paid in cash for budget purposes as opposed to when the liability is incurred for GAAP purposes;
3. Other funds are included in the General Fund for GAAP purposes, but has a separate legally adopted budget;
4. Encumbrances are recorded as the equivalent of expenditures for budget purposes as opposed to a component of fund balances for GAAP purposes.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Fire Levy Fund.

Net Change in Fund Balance		
	General	Fire Levy
GAAP Basis	\$ (1,249,504)	\$ (162,061)
Increase (Decrease) Due to:		
Revenue Accruals	(120,342)	-
Expenditure Accruals	249,087	17,775
Excess of Revenues over Expenditures:		
Compensated Absences Fund	31,531	-
Building Deposits Fund	12,113	-
Developer's Deposit Fund	3,307	-
Architectural Planning Review Fund	(1,225)	-
Outstanding Encumbrances	(1,202,716)	(73,674)
Budget Basis	\$ (2,277,749)	\$ (217,960)

F. **Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The City's portfolio consisted of negotiable certificates of deposits, US Treasury Money Market Mutual Funds, U.S. Treasury/Agency Securities, and STAR Ohio.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

F. **Cash and Investments** (Continued)

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and other governmental funds during fiscal year 2023 amounted to \$736,472 and \$21,850, respectively. A decrease in market value created an adjustment of \$163,257, which was recorded to the General Fund.

For purposes on the statement of cash flows and for presentation on the balance sheet, investments of the cash management pool, and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. **Capital Assets**

General capital assets are those specifically associated with general governmental activities. These assets primarily result from expenditures in the governmental funds.

General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the 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 are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$2,500. The City's infrastructure consists of roads, a retaining wall, a bike trail, sanitary sewers and storm sewers. Improvements that add to the value of the asset or materially extend the life of an asset are capitalized. The cost of normal maintenance and repairs that does not meet the capitalization criteria is not capitalized. Interest incurred in capital leases or during construction periods is not capitalized.

All capital assets are depreciated or amortized with the exception of land and construction in progress. These capital assets are depreciated over the remaining useful lives of the related asset. 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:

Assets	Useful Life
Buildings, Structures, and Improvements	10 to 50 years
Improvements other than Buildings	5 to 30 years
Furniture and Fixtures	5 to 30 years
Equipment and Vehicles	5 to 30 years
Infrastructure	20 to 50 years

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

G. **Capital Assets** (Continued)

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

H. **Encumbrances**

As part of formal budgetary control over all funds, purchase orders, contracts, and other commitments for expenditures are encumbered and reported as expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as a component of fund balance since they do not represent expenditures or liabilities of the City.

I. **Grants and Other Intergovernmental Revenues**

State and local grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Amounts received before the eligibility requirements are met are reflected as deferred revenue.

J. **Interfund Balances**

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

K. **Inventory**

On 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 consumed.

On 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. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when consumed.

Inventory consists of expendable supplies held for consumption.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

L. **Compensated Absences**

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

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

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

N. **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, and special termination benefits 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 and long-term notes and loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

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:

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City’s Council. Those committed amounts cannot be used for any other purpose unless the City’s Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. 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 would represent intended uses established by City Council.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the 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 amounts in any of the unrestricted fund balance classifications could be used.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

P. **Net Position**

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. **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.

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City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES**

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

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

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

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

A. **Accountability**

The General Obligation Bond Retirement Fund has a fund deficit at December 31, 2023, in the amount of \$680,248. This fund deficit resulted from accrued liabilities. The General Fund is liable for the deficits in these funds and will provide operating transfers when cash is required, not when accruals occur.

B. **Compliance**

The following fund had expenses in excess of final appropriations in violation of section 5705.41(B), Ohio Revised:

<u>Fund</u>	<u>Excess</u>
Fire Levy - Personal Services	\$ (61,806)

Management has indicated that appropriations will be closely monitored to prevent future violations.

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City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 5: FUND BALANCE

Fund balance is classified as non-spendable, 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are as follows:

	General	Fire Levy	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvement	Other Governmental Funds	Total
<i>Nonspendable</i>							
Prepaid Items	\$ 44,044	\$ 7,865	\$ -	\$ -	\$ -	\$ 1,510	\$ 53,419
Inventories	23,872	-	-	-	-	45,175	69,047
Loans	200,000	-	-	-	-	-	200,000
Total Nonspendable	<u>267,916</u>	<u>7,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,685</u>	<u>322,466</u>
<i>Restricted</i>							
Streets and Highways	-	-	-	-	-	562,027	562,027
Law Enforcement	-	-	-	-	-	73,331	73,331
Sewers	-	-	-	-	-	85,049	85,049
Refuse Disposal	-	-	-	-	-	695,510	695,510
Fire Levy	-	79,638	-	-	-	-	79,638
Service Department Equipment	-	-	-	-	-	63,904	63,904
Courts	-	-	-	-	-	37,907	37,907
Parks and Recreation	-	-	-	-	-	121,320	121,320
Broadview Road TIF	-	-	-	-	-	271,231	271,231
Pinnacle Rockside TIF	-	-	-	-	-	53,926	53,926
Meijer's TIF	-	-	-	-	-	170,733	170,733
Bond Retirement	-	-	-	33,958	-	-	33,958
Capital Project	-	-	-	-	63,389	-	63,389
Parks and Recreation Bond	-	-	-	-	-	376,078	376,078
Other Sources	-	-	-	-	-	8,979	8,979
Total Restricted	<u>-</u>	<u>79,638</u>	<u>-</u>	<u>33,958</u>	<u>63,389</u>	<u>2,519,995</u>	<u>2,696,980</u>
<i>Committed to</i>							
Park Equipment	-	-	-	-	-	17,765	17,765
Tree Maintenance	-	-	-	-	-	10,153	10,153
Compensated Absences	145,535	-	-	-	-	-	145,535
Fire Department	-	-	-	-	-	-	-
Squad Assistance	-	-	-	-	-	670,080	670,080
Total Committed	<u>145,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>697,998</u>	<u>843,533</u>
<i>Assigned</i>							
2024 Appropriations	36,798	-	-	-	-	-	36,798
Purchases on Order:	-	-	-	-	-	-	-
Law Enforcement	365,632	-	-	-	-	-	365,632
Leisure Time Activities	113,201	-	-	-	-	-	113,201
Engineering	21,163	-	-	-	-	-	21,163
Service Department	84,101	-	-	-	-	-	84,101
General Government	423,645	-	-	-	-	-	423,645
Total Assigned	<u>1,044,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,044,540</u>
<i>Unassigned (Deficit)</i>							
	<u>5,559,404</u>	<u>-</u>	<u>(680,248)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,879,156</u>
Total Fund Balance	<u>\$ 7,017,395</u>	<u>\$ 87,503</u>	<u>\$ (680,248)</u>	<u>\$ 33,958</u>	<u>\$ 63,389</u>	<u>\$ 3,264,678</u>	<u>\$ 9,786,675</u>

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 6: **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 deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are 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 notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provide that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasury Asset Reserve of Ohio (STAROhio).

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

The City may also invest any monies not required to be used for a period of 6 months or more in the following:

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

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 5 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. Payments 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

A. **Cash on Hand**

At December 31, 2023, the City had \$1,000 in undeposited cash on hand, which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents."

B. **Deposits**

At December 31, 2023, the carrying amount of the City's deposits was \$556,175. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2023, \$250,000 of the City's bank balance of \$742,819 was covered by Federal Depository Insurance and \$492,819 was uninsured and uncollateralized. One of the City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

B. **Deposits** (Continued)

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

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

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

C. **Investments**

The City has a formal investment policy. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The table on the next page identifies the City's recurring fair value measurement as of December 31, 2023. At December 31, 2023, fair value was \$163,257 below the City's net cost for investments.

D. **Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within 5 years from the date of purchase, and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

E. **Credit Risk**

The credit risk of the City's investments is listed in the table on the next page. The City has no investment policy that would further limit its investment choices.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

E. **Credit Risk** (Continued)

Cash and investments at 2023 year-end were as follows:

Investment Type	Measurement Value	Credit Rating (*)	Investment Maturities (in Years)		
			<1	1-2	Level Input
U.S. Treasuries Money Market Mutual Fund	\$ 839,758	AAAm	\$ 839,758	\$ -	1
U.S. Treasury/ Agency Securities	1,775,307	Aaa/AA+	961,765	813,542	2
Negotiable Certificates of Deposit	3,397,436	N/A	1,704,156	1,693,280	1
StarOhio	5,219,091	AAAm	5,219,091		
Total Investments	<u>11,231,592</u>		<u>\$ 8,724,770</u>	<u>\$ 2,506,822</u>	
Carrying Amount of Deposits	556,175				
Petty Cash	1,000				
Total	<u>\$ 11,788,767</u>				

* Credit Rating was obtained from Standard & Poor's for all investments.

F. **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities. The City's investment in negotiable certificates of deposit were fully insured by Federal Depository Insurance in the amount of \$3,397,436.

G. **Concentration of Credit Risk**

The City places no limit on the amount it may invest in any one issuer. The City's only investments are negotiable certificates of deposit, U.S. Treasury Money Market Mutual Funds, U.S. Treasury/Agency Securities, and STAR Ohio.

NOTE 7: **RECEIVABLES**

A. **Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the City levies 3.4 mills of the first 10 mills of assessed value. In addition, 2.9 mills have been levied based upon mills voted for refuse disposal, 1.7 mills have been levied for fire station renovations, 1.4 mills have been levied for parks and recreation purposes, 0.5 mills has been levied for service department equipment and 3.34 mills have been levied for Fire & EMS. A reevaluation of all property is required to be completed no less than every 6 years, with a statistical update every third year. The last reevaluation was completed in 2018.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 7: **RECEIVABLES** (Continued)

A. **Property Taxes** (continued)

Assessed values for real property are established by State law at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January 20 and June 20 of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Public utility tangible personal property currently is assessed at varying percentages of its true value; public utility real property taxes are assessed at 35 percent of true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January 20 and June 20 of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Fiscal Officer periodically remits to the City its portion of the taxes collected.

The full property tax rate for all City operations for the year ended December 31, 2023, was \$13.24 per \$1,000 of assessed value. The assessed value upon which the 2023 tax receipts were based was \$413,425,220. This amount constitutes \$408,273,360 in real property assessed value, \$5,151,860 in public utility assessed value.

Property taxes receivable represents current and delinquent real property, and tangible personal property taxes, which are measurable at December 31, 2023. These taxes are intended to finance the next fiscal year's operations and are therefore offset by a credit to deferred inflows of resources. Property taxes receivable at December 31, 2023, amounted to \$4,149,126 for governmental activities.

B. **Income Taxes**

The City assesses an income tax of 2.5 percent on gross salaries, wages, and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City.

Employers within the City are required to withhold income tax on employee compensation and remit this tax to an intermediary collection agency (Regional Income Tax Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits taxes collected for the City each month, net of a fee for their service.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 7: **RECEIVABLES** (Continued)

B. **Income Taxes** (Continued)

The purpose for expenditures from the City's income tax proceeds is specifically outlined within the City Charter codified ordinances. Income taxes are used to defray all expenses of collecting, administering and entering the provisions of the income tax ordinance and the remaining balance is used for General Fund operating expenditures.

C. **Special Assessments**

Special assessments include assessments for debt obligations. Special assessments for debt obligations are levied against specific property owners who primarily benefitted from the project.

Special assessments are payable by the timetable and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's assessments are for sewers which are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

Since all assessment collections are remitted to the City outside of the available period, the entire amount has been deferred on the fund financial statements.

At December 31, 2023, governmental activities reported special assessments receivable in the amounts of \$2,385,743.

D. **Payments in Lieu of Taxes**

According to State law, the City has established four tax incremental financing districts within the City, under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments would generally reflect all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt.

The property owners' contractual promise to make payments generally continues until the cost of the improvement has been paid or the agreement expires, whichever comes first.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 7: **RECEIVABLES** (Continued)

E. Intergovernmental Revenues

A summary of intergovernmental receivables is as follows:

Revenue Description	Amount
Local Government	\$ 148,725
Homestead and Rollback	235,136
Gasoline and Auto Registration tax	375,125
Permissive tax	7,606
Grants	459,600
Total	\$ 1,226,192

F. Loans

The General fund loaned monies to various businesses and has a receivable of \$200,000, of which \$200,000 is due in more than one year. A summary of loans receivables is as follows:

Entity	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Genesis Building LTD	\$ 220,000	\$ -	\$ (40,000)	\$ 180,000
Four One Four One Alliance LLC	30,000	-	(10,000)	20,000
Four One Four One Alliance LLC (Socius)	16,665	-	(16,665)	-
Total	\$ 266,665	\$ -	\$ (66,665)	\$ 200,000

On September 4, 2015, the City entered into a loan agreement with Genesis Building Ltd. in the amount of \$300,000 with an interest rate of 2.0% and annual principal payments beginning December 1, 2021 and maturing December 1, 2025. Accrued interest receivable for this loan is \$6,400 at December 31, 2023.

On March 27, 2017, the City entered into a loan agreement with Four One Four One Alliance LLC in the amount of \$50,000 with an interest rate of 2.0% and annual principal payments beginning December 1, 2021, and maturing December 1, 2025. Accrued interest receivable for this loan is \$600 at December 31, 2023.

On March 27, 2017, the City entered into a loan agreement with Four One Four One Alliance LLC (Socius) in the amount of \$100,000 with an interest rate of 2.0% and annual principal payments beginning December 31, 2018, and maturing December 31, 2024. There was no accrued interest receivable at December 31, 2023.

A credit shall be given for each loan for the principal amount due equal to 50% of the municipal income taxes actually received by City in the calendar year preceding the year that the principal payment is due for the total of payroll taxes and net profits tax derived from the operations at the project side, less any refund given and subject to limitations in each agreement. At this time, the amount of credits that will be earned cannot be reasonably determined, or if any amounts will otherwise be uncollectable in the future. Therefore, the entire amount of the receivable will be reported.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 7: **RECEIVABLES** (Continued)

G. **Lease**

In previous years, the City of Seven Hills, as lessor, entered into a lease with University Hospitals Parma Medical Center, as lessee, for the use of space located at the Seven Hills Community Recreation Center. An initial lease receivable was recorded in the amount of \$200,508. As of December 31, 2023, the value of the lease receivable is \$128,038. The lessee is required to make monthly fixed payments of \$3,333. The lease has an interest rate of 2.39%. The value of the deferred inflow of resources as of December 31, 2023, was \$125,318, and City of Seven Hills recognized lease revenue of \$37,595 during the fiscal year. The lessee has one extension option for 60 months.

A summary of the future payments to be received is as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 37,347	\$ 2,653	\$ 40,000
2025	38,250	1,750	40,000
2026	39,174	826	40,000
2027	13,267	66	13,333
	\$ 128,038	5,295	\$ 133,333

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City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2023 follows:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
<i>Governmental Activities</i>				
<i>Capital Assets Not Being Depreciated/Amortized</i>				
Land	\$ 1,489,422	\$ -	\$ -	\$ 1,489,422
Construction In Progress	3,792,485	4,774,992	(2,724,486)	5,842,991
<i>Total Capital Assets Not Being Depreciated/Amortized</i>	<u>5,281,907</u>	<u>4,774,992</u>	<u>(2,724,486)</u>	<u>7,332,413</u>
<i>Capital Assets Being Depreciated/Amortized</i>				
Land Improvements	444,900	246,368	-	691,268
Buildings, Structures and Improvements	17,233,114	42,913	-	17,276,027
Furniture and Fixtures	166,330	190,522	-	356,852
Equipment and Vehicles	8,133,925	424,296	(118,390)	8,439,831
Intangible Right-to-use Lease - Equipment	85,702	-	-	85,702
Infrastructure				
Roads	18,224,594	5,714,044	-	23,938,638
Retaining Wall	128,304	51,400	-	179,704
Bike Trail	978,113	-	-	978,113
<i>Total Capital Assets Being Depreciated/Amortized</i>	<u>45,394,982</u>	<u>6,669,543</u>	<u>(118,390)</u>	<u>51,946,135</u>
<i>Less Accumulated Depreciation/Amortization</i>				
Land Improvements	(272,035)	(32,534)	-	(304,569)
Buildings, Structures and Improvements	(9,593,901)	(567,746)	-	(10,161,647)
Furniture and Fixtures	(164,545)	(6,007)	-	(170,552)
Equipment and Vehicles	(4,459,832)	(463,791)	118,390	(4,805,233)
Intangible Right-to-use Lease - Equipment	(8,570)	(17,140)	-	(25,710)
Infrastructure				
Roads	(6,842,116)	(935,038)	-	(7,777,154)
Retaining Wall	(78,797)	(6,542)	-	(85,339)
Bike Trail	(680,608)	(48,906)	-	(729,514)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(22,100,404)</u>	<u>(2,077,704)</u>	<u>118,390</u>	<u>(24,059,718)</u>
<i>Total Capital Assets Being Depreciated/Amortized, Net</i>	<u>23,294,578</u>	<u>4,591,839</u>	<u>-</u>	<u>27,886,417</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,576,485</u>	<u>\$ 9,366,831</u>	<u>\$ (2,724,486)</u>	<u>\$ 35,218,830</u>

* Depreciation/Amortization expense was charged to governmental functions as follows:

Security of Persons and Property	\$178,714
Leisure Time Activities	494,936
Transportation	1,105,850
Community Environment	5,287
General Government	292,917
Total	<u>\$2,077,704</u>

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 8: **CAPITAL ASSETS** (Continued)

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
<u>Business-Type Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Construction In Progress	\$ 52,500	\$ -	\$ (52,500)	\$ -
Total Capital Assets Not Being Depreciated	<u>52,500</u>	<u>-</u>	<u>(52,500)</u>	<u>-</u>
<i>Capital Assets Being Depreciated</i>				
Buildings, Structures and Improvements	\$ 24,636	\$ -	\$ -	\$ 24,636
Equipment and Vehicles	248,493	7,592	-	256,085
Infrastructure				
Sanitary Sewers	11,892,726	-	-	11,892,726
Storm Sewers	794,332	573,410	-	1,367,742
Total Capital Assets Being Depreciated	<u>12,960,187</u>	<u>581,002</u>	<u>-</u>	<u>13,541,189</u>
<i>Less Accumulated Depreciation</i>				
Buildings, Structures and Improvements	(6,313)	(616)	-	(6,929)
Equipment and Vehicles	(231,476)	(3,145)	-	(234,621)
Infrastructure				
Sanitary Sewers	(2,336,915)	(589,822)	-	(2,926,737)
Storm Sewers	(170,334)	(32,608)	-	(202,942)
Total Accumulated Depreciation	<u>(2,745,038)</u>	<u>(626,191)</u>	<u>-</u>	<u>(3,371,229)</u>
Total Capital Assets Being Depreciated, Net	<u>10,215,149</u>	<u>(45,189)</u>	<u>-</u>	<u>10,169,960</u>
Business-Type Activities Capital Assets, Net	<u>\$ 10,267,649</u>	<u>\$ (45,189)</u>	<u>\$ (52,500)</u>	<u>\$ 10,169,960</u>

NOTE 9: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

Net Pension Liability (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 are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377. Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

The table below provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS’ Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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

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

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

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

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

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

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

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

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

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2023 for the Traditional plan. The portion of the employer's contribution allocated to health care was 2% for the Combined plan and 4% for the Member-Directed plan for 2023. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$506,773 for 2023. Of this amount, \$59,284 is reported as intergovernmental payable.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report 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.

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

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$354,497 for 2023. Of this amount, \$52,931 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

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

	OPERS Traditional Pension Plan	OP&F	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.020963%	0.0588460%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.022073%</u>	<u>0.0610833%</u>	
Change in Proportionate Share	<u>0.001110%</u>	<u>0.0022373%</u>	
Proportionate Share of the Net Pension Liability	\$ 6,520,374	\$ 5,802,317	\$ 12,322,691
Pension Expense	\$ 1,070,836	\$ 796,133	\$ 1,866,969

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 1,858,512	\$ 844,748	\$ 2,703,260
Changes of assumptions	68,883	523,350	592,233
Difference between expected and actual experience	216,579	87,028	303,607
Changes in proportion and differences between City contributions and proportionate share of contributions	160,296	326,000	486,296
City contributions subsequent to the measurement date	<u>506,773</u>	<u>354,497</u>	<u>861,270</u>
Total Deferred Outflows of Resources	<u>\$ 2,811,043</u>	<u>\$ 2,135,623</u>	<u>\$ 4,946,666</u>
Deferred Inflows of Resources			
Changes of assumptions	\$ -	\$ 113,143	\$ 113,143
Differences between expected and actual experience	-	132,193	132,193
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>32,290</u>	<u>61,074</u>	<u>93,364</u>
Total Deferred Inflows of Resources	<u>\$ 32,290</u>	<u>\$ 306,410</u>	<u>\$ 338,700</u>

\$861,270 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in the year ending December 31, 2024.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

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	OP&F	Total
Year Ending December 31:			
2024	\$ 342,660	\$ 219,832	\$ 562,492
2025	471,843	381,838	853,681
2026	547,050	368,982	916,032
2027	910,427	494,897	1,405,324
2028	-	9,167	9,167
Total	\$ 2,271,980	\$ 1,474,716	\$ 3,746,696

Actuarial Assumptions - OPERS

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

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

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City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions – OPERS (Continued)

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

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

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions – OPERS (continued)

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions – OPERS (continued)

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City’s proportionate share of the net pension liability	\$ 9,767,303	\$ 6,520,374	\$ 3,819,512

Actuarial Assumptions – OP&F

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2022, are presented below:

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions – OP&F (continued)

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

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

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

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

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

Note: Assumptions are geometric

* levered 2.5x

** Geometric mean, net of expected inflation

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions – OP&F (continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 7,654,375	\$ 5,802,317	\$ 4,262,700

NOTE 10: **DEFINED BENEFIT OPEB PLANS**

Net OPEB Liability/Asset

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

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

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

1. Medicare Retirees – Medicare-eligible with a minimum of 20 years of qualifying service credit.
2. Non-Medicare Retirees – Non-Medicare retirees qualify based on the following age-and-service criteria:
 - a. Group A – 30 years of qualifying service credit at any age;
 - b. Group B – 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;
 - c. Group C – 32 years of qualifying service credit and minimum age 55; or,
 - d. A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don’t meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service. Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate employer contributions to health care for members in the Traditional Pension Plan. Effective July 1, 2022, OPERS began allocating 2.0 percent of the employer contribution rate to health care funding for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2023 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$4,864 for 2023.

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan. OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2023, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The City's contractually required contribution to OP&F was \$9,329 for 2023. Of this amount, \$1,393 is reported as an intergovernmental payable.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset			
Prior Measurement Date	0.020478%	0.0588460%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.021545%</u>	<u>0.0610833%</u>	
Change in Proportionate Share	<u>0.001067%</u>	<u>0.0022373%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 135,845	\$ 434,895	\$ 570,740
OPEB Expense	\$ (215,914)	\$ 21,390	\$ (194,524)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$ 269,793	\$ 37,304	\$ 307,097
Differences between expected and actual experience	-	25,951	25,951
Changes of assumptions	132,683	216,728	349,411
Changes in proportion and differences between City contributions and proportionate share of contributions	894	50,489	51,383
City contributions subsequent to the measurement date	<u>4,864</u>	<u>9,329</u>	<u>14,193</u>
Total Deferred Outflows of Resources	<u>\$ 408,234</u>	<u>\$ 339,801</u>	<u>\$ 748,035</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 33,886	\$ 85,751	\$ 119,637
Changes of assumptions	10,918	355,709	366,627
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>1,063</u>	<u>49,764</u>	<u>50,827</u>
Total Deferred Inflows of Resources	<u>\$ 45,867</u>	<u>\$ 491,224</u>	<u>\$ 537,091</u>

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

\$14,193 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:

Year Ending December 31:	OPERS	OP&F	Total
2024	\$ 44,755	\$ (20,636)	\$ 24,119
2025	98,287	(15,050)	83,237
2026	84,130	(10,455)	73,675
2027	130,331	(1,982)	128,349
2028	-	(29,961)	(29,961)
Thereafter	-	(82,668)	(82,668)
Total	\$ 357,503	\$ (160,752)	\$ 196,751

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022.

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City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

Actuarial Assumptions – OPERS (continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

Actuarial Assumptions – OPERS (continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the Board-approved asset allocation policy for 2022 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 (Geometric)</u>
Fixed Income	34.00 %	2.56 %
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	<u>100.00 %</u>	

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022. A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

Actuarial Assumptions – OPERS (continued)

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

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB liability	\$462,356	\$135,845	(\$133,579)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$127,331	\$135,845	\$145,429

Actuarial Assumptions – OP&F

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

Actuarial Assumptions – OP&F

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.27 percent
Prior measurement date	2.84 percent
Cost of Living Adjustments	2.2 percent simple

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

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

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

Actuarial Assumptions – OP&F (continued)

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

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

Note: Assumptions are geometric
* levered 2.5x

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

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

Actuarial Assumptions – OP&F (continued)

Discount Rate The total OPEB liability was calculated using the discount rate of 2.84 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, resulting in a discount rate of 4.27 percent.

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

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
City's proportionate share of the net OPEB liability	\$ 535,532	\$ 434,895	\$ 349,931

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 11: **NOTES PAYABLE**

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is 5 years. Any period in excess of 5 years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than 5 years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial 5 year period.

	Balance 1/1/2023	Issued	Retired	Balance 12/31/2023
2022 Capital Improvements	350,000	-	350,000	-
2023 Capital Improvements	-	350,000	-	350,000
Premiums	818	2,618	2,781	655
Total Notes Payable	\$ 350,818	\$ 352,618	\$ 352,781	\$ 350,655

On April 5, 2023, the City issued \$4,145,000 in capital improvement notes at 4.375 percent that will mature April 5, 2024. The proceeds were used to retire previously issued notes. \$350,000 of these notes are considered short-term and the remaining \$3,795,000 are considered long-term.

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City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 12: LONG-TERM OBLIGATIONS

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

	Original Issue Amount	Balance 1/1/2023	Issued	Retired	Balance 12/31/2023	Due Within One Year
<i>Governmental Activities</i>						
<u>General Obligation Bonds</u>						
2021 3.00 % Capital Improvement Bonds, City Park and Recreational Facilities, due 2041	4,680,000	\$ 4,515,000	\$ -	\$ 170,000	\$ 4,345,000	\$ 180,000
2021 3.77% Capital Improvement and Refunding Bonds, due 2031	2,900,000	1,740,000	-	805,000	935,000	105,000
Total General Obligation Bonds		<u>6,255,000</u>	<u>-</u>	<u>975,000</u>	<u>5,280,000</u>	<u>285,000</u>
<u>Long Term Notes</u>						
2022 2.50% Capital Improvement Notes Unamortized Note Premium	4,495,000	4,145,000 9,689	-	4,145,000 9,689	-	-
2023 4.375% Capital Improvement Notes Unamortized Note Premium	4,145,000	-	3,795,000 28,387	-	3,795,000 7,097	3,795,000 7,097
Total Long Term Notes		<u>4,154,689</u>	<u>3,823,387</u>	<u>4,175,979</u>	<u>3,802,097</u>	<u>3,802,097</u>
<u>Renew Energy Bonds</u>						
2014 3.15% Renew Energy Bond, due 2029		1,093,744	-	139,795	953,949	149,469
Total Renew Energy Bonds		<u>1,093,744</u>	<u>-</u>	<u>139,795</u>	<u>953,949</u>	<u>149,469</u>
<u>Special Assessment Bonds</u>						
2004, 3.96% Sprague Road, due 2024	313,000	45,000	-	20,000	25,000	25,000
2009 Broadview Sanitary Sewer Project, due 2024	1,164,000	515,000	-	65,000	450,000 *	65,000
2021 3.36% Capital Improvement Refunding Bonds (Series G), due 2028	70,000	60,000	-	10,000	50,000 *	10,000
2021 3.00% Hemlock Creek Bonds due 2041	3,115,000	3,005,000	-	115,000	2,890,000 *	120,000
Total Special Assessment Bonds		<u>3,625,000</u>	<u>-</u>	<u>210,000</u>	<u>3,415,000</u>	<u>220,000</u>
<u>OWDA Loans - Direct Borrowing</u>						
West Creek Sewer Design		419,013	-	17,855	401,158 *	36,299
Total OWDA Loans		<u>419,013</u>	<u>-</u>	<u>17,855</u>	<u>401,158</u>	<u>36,299</u>
<u>Other Obligations</u>						
Unamortized Bond Premium		1,122,330	-	75,814	1,046,516	-
Financed Purchase Payable		544,559	-	55,093	489,466	56,374
Leases		67,801	-	15,341	52,460	16,367
Compensated Absences		713,407	118,486	140,625	691,268	172,251
Total Other Obligations		<u>2,448,097</u>	<u>118,486</u>	<u>286,873</u>	<u>2,279,710</u>	<u>244,992</u>
<u>Net Pension Liability</u>						
OPERS		1,701,075	4,429,097	-	6,130,172	-
OP&F		3,676,359	2,125,958	-	5,802,317	-
Total Net Pension Liability		<u>5,377,434</u>	<u>6,555,055</u>	<u>-</u>	<u>11,932,489</u>	<u>-</u>
<u>Net OPEB Liability</u>						
OPERS		-	127,716	-	127,716	-
OP&F		645,003	-	210,108	434,895	-
Total Net OPEB Liability		<u>645,003</u>	<u>127,716</u>	<u>210,108</u>	<u>562,611</u>	<u>-</u>
Total Governmental Activities		<u>\$ 24,017,980</u>	<u>\$ 10,624,644</u>	<u>\$ 6,015,610</u>	<u>\$ 28,627,014</u>	<u>\$ 4,737,857</u>
<i>Business-Type Activities</i>						
Compensated Absences		\$ 10,660	\$ 20,608	\$ 10,254	\$ 21,014	\$ 18,704
Net Pension Liability - OPERS		122,791	267,411	-	390,202	-
Net OPEB Liability - OPERS		-	8,129	-	8,129	-
Total Business-Type Activities		<u>\$ 133,451</u>	<u>\$ 296,148</u>	<u>\$ 10,254</u>	<u>\$ 419,345</u>	<u>\$ 18,704</u>

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

* These debt issuances (on the previous page) are recorded in governmental funds to finance assets of the business-type activities. See notation on page 15 for a further description of the presentation on the statement of net position.

Outstanding general obligation bonds consist of park and recreation, street, and sewer improvement issues. These bonds are paid from the Parks and Recreation Levy Fund and the General Bond Retirement Fund from property taxes, and proceeds received from the collection of city income taxes.

The RENEW Energy Bond is for a program associated with the installation of energy conservation measures installed in the Recreation Center, City Hall, Service Garage and Fire Station. The debt associated with the improvements is to be retired from the General Bond Retirement Fund with the savings realized from reduced energy consumption.

Outstanding special assessment bonds consist of street and sewer improvements which are payable from the proceeds of assessments against individual property owners. These bonds are paid from the Special Assessment Bond Retirement Fund and the General Bond Retirement Fund.

In 2022, the City entered into a five-year lease for the use of Cardio Equipment. An initial lease liability was recorded in the amount of \$85,702. The City makes annual fixed payments of \$19,876 and has an interest rate of 7.40% and is paid from the Parks and Recreation levy fund.

Compensated absences will be paid from the fund from which each person is paid. The City pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds; the General Fund, Fire Levy, Street Construction Maintenance and Repair, Sanitary Sewers and Storm Sewers Funds.

The City entered into a loan with the Ohio Water Development Authority (OWDA) in the amount of \$723,801 for improvements to West Creek Watershed Sanitary Sewer with an interest rate of 2.190% that will mature on July 1, 2033. This loan is being paid from the Special Assessment Bond Retirement and General Obligation Bond Retirement fund.

The City's direct borrowings from OWDA in the amount of \$401,158 contain a provision that in an event of default the amount of such default shall bear interest at the default rate from the due date until the date of the payment. In addition to the interest, a late charge of one percent on the amount of each default shall also be paid to OWDA by the City from the pledge revenues for failure to make the payment.

The City issued Capital Improvement Notes 2023 that have been partially paid down and the remainder rolled over in 2024. On April 5, 2023, the City issued \$4,145,000 in capital improvement notes at 4.375% that will mature April 5, 2024. The proceeds were used to retire previously issued notes. \$350,000 of these notes are considered short-term and the remaining \$3,795,000 are considered long-term.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

On September 8, 2021, the City issued \$10,765,000 in capital improvement bonds and refunding bonds. The distribution of the bond proceeds was as follow: \$3,185,000 special assessment bonds and \$7,580,000 general obligation bonds. The bonds were sold at a premium. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded bonds. As a result, \$ 3,150,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the City’s financial statements. As of December 31, 2023 the amount of defeased debt that is still outstanding but removed from the government-wide financial statements is \$1,110,000.

Principal and Interest Requirements

The City’s overall legal debt margin was \$37,175,699 at December 31, 2023. A summary of the City’s future long-term debt requirements, including principal and interest payments as of December 31, 2023, follows:

Years	General Obligation Bonds		Special Assessment Bonds		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 285,000	\$ 170,093	\$ 220,000	\$ 114,256	\$ 36,299	\$ 8,588
2025	295,000	161,543	205,000	106,338	37,099	7,788
2026	300,000	149,743	210,000	97,875	37,916	6,971
2027	315,000	137,743	215,000	89,006	38,751	6,137
2028	320,000	133,018	225,000	83,438	39,604	5,283
2029-2033	1,510,000	469,090	840,000	295,962	211,489	12,945
2034-2038	1,345,000	232,890	900,000	154,780	-	-
2039-2041	910,000	41,574	600,000	27,418	-	-
	<u>\$ 5,280,000</u>	<u>\$ 1,495,694</u>	<u>\$ 3,415,000</u>	<u>\$ 969,073</u>	<u>\$ 401,158</u>	<u>\$ 47,712</u>

Years	Renew Energy Bond		Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 149,469	\$ 28,902	\$ 16,367	\$ 3,508	\$ 707,135	\$ 325,347
2025	159,607	24,115	17,462	2,414	714,168	302,198
2026	170,229	19,005	18,631	1,246	736,776	274,840
2027	181,354	13,557	-	-	750,105	246,443
2028	193,006	7,754	-	-	777,610	229,493
2029-2033	100,284	1,579	-	-	2,661,773	779,576
2034-2038	-	-	-	-	2,245,000	387,670
2039-2041	-	-	-	-	1,510,000	68,992
	<u>\$ 953,949</u>	<u>\$ 94,912</u>	<u>\$ 52,460</u>	<u>\$ 7,168</u>	<u>\$ 10,102,567</u>	<u>\$ 2,614,559</u>

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 13: FINANCED PURCHASE

In 2021, the City entered into a financed purchase agreement to acquire a fire truck in the amount of \$598,399. Capital assets acquired the financed purchase agreement have been capitalized. As of December 31, 2023, \$108,933 has been amortized from the fire truck. The following table is the payment schedule:

Years	Financed Purchase	
	Principal	Interest
2024	\$ 56,374	\$ 11,385
2025	57,685	10,074
2026	59,027	8,732
2027	60,400	7,358
2028	61,805	5,954
2029-2031	194,175	9,102
	\$ 489,466	\$ 52,605

NOTE 14: ACCUMULATED UNPAID EMPLOYEE BENEFITS AND OVERTIME

Vacation is two to six weeks with 25% of unused sick leave plus 100% accumulated vacation leave is to be paid at retirement, termination or death for administrative personnel; 50% of unused sick leave plus 100% accumulated vacation leave is paid at retirement, termination or death for Technical Clerical and Service personnel up to 180 days; and 50% of unused sick leave plus 100% accumulated vacation leave is paid at retirement, termination or death for Police personnel up to 120 days.

In addition, employees of the City can accumulate compensatory time for a portion of overtime hours worked generally based upon time and a half of hourly rates. Employees are entitled to receive payments in cash for their accumulated hours upon retirement or termination from the City's payroll.

A summary of employee benefit obligations (calculated in accordance with GASB Statement No. 16) at December 31, 2023, is as follows:

	Governmental Activities	Business- Type Activities
Vacation and Compensatory Time	\$ 371,570	\$ 18,704
Sick Pay	319,698	2,310
Total	\$ 691,268	\$ 21,014

Obligations of governmental activities are recorded as long-term liabilities. Business-type liabilities are recorded in the respective enterprise funds.

NOTE 15: CONTINGENCIES AND COMMITMENTS

The City is party to various legal proceedings. City management is of the opinion that ultimate settlement of such claims not covered by insurance will not result in a material adverse effect on the City's financial position.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 15: **CONTINGENCIES AND COMMITMENTS** (Continued)

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being allowable expenditures under federal and state regulations. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

The City had the following remaining construction commitments at year end; parks master plan and new service garage pole barn.

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2023, the City's commitments for encumbrances in the governmental and proprietary funds were as follows:

Fund	Amount
General Fund	\$ 1,007,742
Fire Levy Fund	54,391
Special Assessment Bond Retirement	20,770
Capital Improvement	296,945
Nonmajor Governmental Funds	886,081
Total Governmental Funds	\$ 2,265,929
Sanitary Sewer Fund	\$ 28,563
Storm Sewers Fund	95,450
Total Proprietary Funds	\$ 124,013

NOTE 16: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from the previously noted risks have not exceeded commercial insurance coverage in the past three fiscal years. During 2023, the City contracted with the following companies for various types of insurance as follows:

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 16: **RISK MANAGEMENT** (Continued)

Type of Coverage	Deductible
U.S. Specialty Commercial General Liability (\$3,000,000 general aggregate/ \$1,000,000 per occurrence), includes Emergency Response/Cemetery Professional	\$ -
U.S. Specialty Stop Gap Liability \$1,000,000	-
U.S. Specialty Law Enforcement \$1,000,000/\$1,000,000	5,000
U.S. Specialty Public Officials \$1,000,000/\$1,000,000	5,000
U.S. Specialty Employee Benefits Liability \$1,000,000/\$3,000,000	1,000
U.S. Specialty Auto Physical Damage Comprehensive Collision	1,000 1,000
U.S. Specialty Umbrella Liability \$10,000,000 Applies to General Liability, including Sexual Abuse, Stop Gap Liability, Employee Benefits, Public Officials, Employment Practices, Law Enforcement, and Auto Liability. Excludes Zoning, Regulation, and Permissive Use of Property.	no SIR*

*SIR = Self-insured retention is a dollar amount specified in a liability insurance policy that must be paid by the insured before the insurance policy will respond to a loss.

Company	Type of Coverage	Deductible
U.S. Specialty	Property Including: Boiler/Machinery \$34,810,989 Flood \$2,000,000 Earthquake \$2,000,000 Property and Casualty Limited Terrorism Coverage Excluded	\$ 2,500 50,000 50,000
U.S. Specialty	Inland Marine \$3,393,636 Includes Contractors Equipment and Scheduled Maintenance and Miscellaneous Property and Equipment	1,000
U.S. Specialty	Electronic Data Processing Equipment \$456,392	1,000
U.S. Specialty	Theft, Disappearance and Destruction \$50,000	500
U.S. Specialty	Employee Dishonesty \$100,000	500
U.S. Specialty	Forgery and Alteration \$50,000	500
U.S. Specialty	Computer Fraud \$50,000	500
CFC	Cyber Crime \$250,000 Extortion \$1,000,000 Network Security and Privacy Liability: \$1,000,000 Media Liability: \$1,000,000	25,000 25,000 25,000 25,000

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 16: **RISK MANAGEMENT (Continued)**

The contracts listed on the previous page and above reflect no significant reduction in insurance coverage as compared to prior years.

The City pays the State Workers' Compensation system a premium based on 2.0 percent of gross payroll. This rate is calculated based on accident history and administrative costs.

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS**

Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Board is comprised of one member from each of the 16 participating entities. The Board exercises total control over the operation of the council, including budgeting, appropriating, contracting, and designating management.

Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The City of Seven Hills contributed \$28,000 to this entity in fiscal year 2023.

The Council has established two subsidiary organizations: the Material Response Team ("HAZ MAT") which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT Team.

Parma Community General Hospital Association

The Parma Community General Hospital Association is a not for profit adult care hospital controlled by the Parma Community General Hospital Association. The Board of Trustees of the Association is composed of mayoral appointees from the cities of North Royalton, Parma, Brooklyn, Parma Heights, Seven Hills, and Brooklyn Heights. Each city has two representatives on the board except Parma, which has six. The operations, maintenance, and management of the hospital is the exclusive charge of the Parma Community General Hospital Association. The City's degree of control is limited to its appointments to the Board of Trustees. Additions to the hospital have been financed by the issuance of hospital revenue bonds. The bonds are backed solely by the revenues of the hospital. The cities have no responsibility for the payment of the bonds, nor does any city have any ongoing financial interest in or responsibility for the hospital.

Because there is no ongoing equity interest, there is no requirement to disclose the investment in the jointly governed organization. There does exist, however, a residual equity interest upon the dissolution or sale of the hospital, according to the terms of the original agreement among the cities. The City of Seven Hills has made no contributions to the hospital during the year. The hospital's financial statements may be obtained by contacting the Parma Community General Hospital, Parma, Ohio.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 240 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and gas to 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 twenty-member NOPEC Board of Directors. In 2023, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting the Board Chairman, at 31320 Solon Road, Suite 20, Solon, Ohio 44139, or at the website www.nopecinfo.org.

Cuyahoga Valley Council of Governments

The City participates in the Cuyahoga Valley Council of Governments (the Council). The Council was formed to share jail and community services, foster municipal services, and coordinate action among its members in matters relating to public safety dispatch operations. The Council may also, at its discretion, promote cooperative agreements and contracts among its members or other governmental agencies and private persons, corporations, or agencies. The Council is controlled by an executive Board which is composed of a President, Vice President, Secretary and Fiscal Officer, who serves as Treasurer. The elected officers shall serve for a period of two years. Each member's control over the operation of the Council is limited to its representation on the Board. In 2023, the City made no contributions. Complete financial statements can be obtained from the Cuyahoga Valley Council of Governments, Cuyahoga County, Ohio.

Chagrin Valley Dispatch Council

The City is a member of the Chagrin Valley Dispatch Council (CVDC). The CVDC was formed by the Council to foster cooperation through the sharing of operations of a central dispatch center for safety forces of the participating entities. The CVDC is comprised of 30 communities. The CVDC is provided with legislative oversight from the Mayors and City Managers of the various communities. The Administrative Board consists of the chiefs of police and fire of each member municipality. The Administrative Board oversees and manages the operation of the program. The degree of control exercised by a participating government is limited to its representation on the Administrative Board. The City contributed \$172,332 to the CVDC during 2023. Financial information can be obtained by contacting the Administrator at 88 Center Road, Suite B100, Bedford, Ohio 44146.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 18: INTERFUND TRANSFERS

The following is a summary of transfers for all funds for 2023. All of these transfers were eliminated on the Statement of Activities since they were within Governmental Activities:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 2,996,152
General Obligation Bond Retirement	1,396,679	-
Capital Improvement	1,493,123	-
Nonmajor Governmental Funds	550,431	444,081
Total	<u>\$ 3,440,233</u>	<u>\$ 3,440,233</u>

The General Fund and nonmajor governmental funds transferred \$952,598 and \$444,081 respectively, to the General Obligation Bond Retirement Fund for debt payments. The General Fund transferred \$1,493,123 to the Capital Improvement Fund to fund capital projects in 2023. The General Fund transferred \$550,431 to the Parks and Recreation Bond Fund to fund the parks master plan.

NOTE 19: INTERFUND PAYABLES AND RECEIVABLES

There were no interfund receivables or payables at December 31, 2023 or December 31, 2022.

NOTE 20: SALE OF FUTURE REVENUE

In 2013, the City entered into an agreement with AP Wireless investments, LLC (AP), under which the City relinquishes to AP its future cell tower revenues for the next 30 years. As of December 31, 2023, the City has received from AP the total amount of \$1,500,000. The estimated present value of the future cell tower revenues sold at the time of the sale was approximately \$2,500,000.

NOTE 21: SUBSEQUENT EVENTS

On January 30, 2024, Council approved the sale of bond anticipation notes in the aggregate amount of \$3,795,000 for the purposes of improving various streets within the City. The Capital Improvement Notes, Series 2024 were dated April 3, 2024, with a coupon rate of 4.375%, and mature on April 3, 2025.

On March 19, 2024, voters passed a 0.5 mill five-year renewal levy for the purpose of acquiring motorized vehicles and equipment, including a street sweeper, a tractor with front-end loader and backhoe, a mower, dump trucks, pick-up trucks, and snowplow assemblies, salt spreaders and other related equipment for use in carrying out the functions of the Service Department. The levy is estimated to collect \$159,000 annually commencing in 2024, first due in calendar year 2025.

City of Seven Hills
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System – Traditional Plan
Last Ten Years

Traditional Plan	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.022073%	0.020963%	0.020640%	0.020291%	0.021038%	0.020279%	0.020810%	0.022067%	0.021516%	0.021516%
City's Proportionate Share of the Net Pension Liability	\$ 6,520,374	\$ 1,823,866	\$ 3,056,335	\$ 4,010,654	\$ 5,761,882	\$ 3,181,382	\$ 4,725,597	\$ 3,822,282	\$ 2,595,070	\$ 2,536,456
City's Covered Payroll	\$ 3,421,500	\$ 3,042,714	\$ 2,913,064	\$ 2,853,157	\$ 2,842,114	\$ 2,679,400	\$ 2,689,792	\$ 2,746,392	\$ 2,646,600	\$ 2,736,377
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.57%	59.94%	104.92%	140.57%	202.73%	118.73%	175.69%	139.17%	98.05%	92.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

See accompanying notes to the required supplementary information

City of Seven Hills
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Ten Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.061083%	0.058846%	0.060240%	0.054508%	0.053538%	0.054606%	0.056936%	0.058432%	0.059011%	0.059011%
City's Proportionate Share of the Net Pension Liability	\$ 5,802,317	\$ 3,676,359	\$ 4,106,583	\$ 3,671,949	\$ 4,370,115	\$ 3,351,430	\$ 3,606,269	\$ 3,758,972	\$ 3,075,027	\$ 2,874,031
City's Covered Payroll	\$ 1,845,205	\$ 1,746,647	\$ 1,649,789	\$ 1,446,300	\$ 1,353,268	\$ 1,273,447	\$ 1,363,389	\$ 1,371,574	\$ 1,260,926	\$ 1,248,970
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	314.45%	210.48%	248.92%	253.89%	322.93%	263.18%	264.51%	274.06%	243.87%	230.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.90%	75.03%	70.65%	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

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

See accompanying notes to the required supplementary information

City of Seven Hills
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the City's Contributions- Pension
Ohio Public Employees Retirement System – Traditional Plan
Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 506,773	\$ 479,010	\$ 425,980	\$ 407,829	\$ 399,442	\$ 397,896	\$ 348,322	\$ 322,775	\$ 329,567	\$ 317,592
Contributions in Relation to the Contractually Required Contribution	<u>(506,773)</u>	<u>(479,010)</u>	<u>(425,980)</u>	<u>(407,829)</u>	<u>(399,442)</u>	<u>(397,896)</u>	<u>(348,322)</u>	<u>(322,775)</u>	<u>(329,567)</u>	<u>(317,592)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,619,807	\$ 3,421,500	\$ 3,042,714	\$ 2,913,064	\$ 2,853,157	\$ 2,842,114	\$ 2,679,400	\$ 2,689,792	\$ 2,746,392	\$ 2,646,600
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

See accompanying notes to the required supplementary information

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 354,497	\$ 350,589	\$ 331,863	\$ 313,460	\$ 274,797	\$ 257,121	\$ 241,955	\$ 259,044	\$ 260,599	\$ 239,576
Contributions in Relation to the Contractually Required Contribution	<u>(354,497)</u>	<u>(350,589)</u>	<u>(331,863)</u>	<u>(313,460)</u>	<u>(274,797)</u>	<u>(257,121)</u>	<u>(241,955)</u>	<u>(259,044)</u>	<u>(260,599)</u>	<u>(239,576)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,865,774	\$ 1,845,205	\$ 1,746,647	\$ 1,649,789	\$ 1,446,300	\$ 1,353,268	\$ 1,273,447	\$ 1,363,389	\$ 1,371,574	\$ 1,260,926
Contributions as a Percentage of Covered-Employee Payroll	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

See accompanying notes to the required supplementary information

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

	2023	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability/Asset	0.021545%	0.020478%	0.020234%	0.019550%	0.020187%	0.019630%	0.020070%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 135,845	\$ (641,402)	\$ (360,485)	\$ 2,700,363	\$ 2,631,908	\$ 2,131,673	\$ 2,027,138
City's Covered Payroll	\$ 3,585,955	\$ 3,193,357	\$ 3,060,095	\$ 2,951,736	\$ 2,928,564	\$ 1,986,573	\$ 2,774,212
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	3.79%	-20.09%	-11.78%	91.48%	89.87%	107.30%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information

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

	2023	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0610833%	0.0588460%	0.0602395%	0.0545080%	0.0535380%	0.0546060%	0.0569360%
City's Proportionate Share of the Net OPEB Liability	\$ 434,895	\$ 645,003	\$ 638,248	\$ 538,415	\$ 487,544	\$ 3,093,911	\$ 2,702,629
City's Covered Payroll	\$ 1,845,205	\$ 1,746,647	\$ 1,649,789	\$ 1,446,300	\$ 1,353,268	\$ 1,273,447	\$ 1,363,389
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	23.57%	36.93%	38.69%	37.23%	36.03%	242.96%	198.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.59%	46.86%	45.42%	47.08%	46.57%	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 4,864	\$ 2,748	\$ 2,464	\$ 2,792	\$ 2,977	\$ 3,447	\$ 30,708	\$ 57,049	\$ 54,928
Contributions in Relation to the Contractually Required Contribution	<u>(4,864)</u>	<u>(2,748)</u>	<u>(2,464)</u>	<u>(2,792)</u>	<u>(2,977)</u>	<u>(3,447)</u>	<u>(30,708)</u>	<u>(57,049)</u>	<u>(54,928)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 3,791,671	\$ 3,585,955	\$ 3,193,357	\$ 3,060,095	\$ 2,951,736	\$ 2,928,564	\$ 1,986,573	\$ 2,774,212	\$ 2,815,579
Contributions as a Percentage of Covered Payroll	0.13%	0.08%	0.08%	0.09%	0.10%	0.12%	1.55%	2.06%	1.95%

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

See accompanying notes to the required supplementary information

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 9,329	\$ 9,226	\$ 8,733	\$ 8,249	\$ 7,232	\$ 6,766	\$ 6,367	\$ 6,801	\$ 6,599	\$ 6,482
Contributions in Relation to the Contractually Required Contribution	<u>(9,329)</u>	<u>(9,226)</u>	<u>(8,733)</u>	<u>(8,249)</u>	<u>(7,232)</u>	<u>(6,766)</u>	<u>(6,367)</u>	<u>(6,801)</u>	<u>(6,599)</u>	<u>(6,482)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,865,774	\$ 1,845,205	\$ 1,746,647	\$ 1,649,789	\$ 1,446,300	\$ 1,353,268	\$ 1,273,447	\$ 1,363,389	\$ 1,371,574	\$ 1,260,926
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

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

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

Net OPEB Liability

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

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034. For 2023, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22% (b) the municipal bond rate changed from 1.84% to 4.05% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2034 to 5.50% initial and 3.50% ultimate in 2036.

City of Seven Hills
Cuyahoga County, Ohio
Notes to the Required Supplementary Information

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25% to 8.00% (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2021, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date. For 2022, the investment rate of return was reduced from 8.00% to 7.50%. For 2023, Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates 68 adjusted by 108.9% for males and 131% for females. Mortality for active members is based on the Pub-2010 Below Medium Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

Net OPEB Liability

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

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%. For 2019, the changes of assumptions were: (a) beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020, the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24% to 4.66%. For 2020, the single discount rate changed from 4.66% to 3.56%. For 2021, the single discount rate changed from 3.56% to 2.96%. For 2022, the single discount rate changed from 2.96% to 2.84%. For 2023, the changes of assumptions were: (a) the single discount rate changed from 2.84% to 4.27% (b) the depletion year of OPEB assets is projected in year 2036 (c) mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

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

City of Seven Hills
Cuyahoga County
7325 Summitview Drive
Seven Hills, Ohio 44131

To the Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seven Hills, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

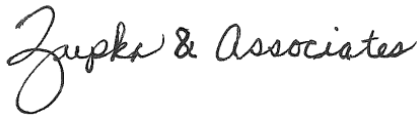
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Zupka & Associates
Certified Public Accountants

June 28, 2024

**CITY OF SEVEN HILLS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

The prior issued audit report, as of December 31, 2022, included no citations or findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF SEVEN HILLS

CUYAHOGA 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 8/13/2024

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