



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF FAIRLAWN  
SUMMIT COUNTY  
DECEMBER 31, 2023**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report.....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	24
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds .....	25
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Crystal Clinic TIF Fund .....	28
Statement of Net Position	
Proprietary Fund.....	29
Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund.....	30
Statement of Cash Flows	
Proprietary Funds .....	31
Statement of Fiduciary Net Position	
Fiduciary Funds .....	32
Statement of Changes in Fiduciary Net Position Fiduciary Funds .....	33
Notes to the Basic Financial Statements.....	35

**CITY OF FAIRLAWN  
SUMMIT COUNTY  
DECEMBER 31, 2023**

**TABLE OF CONTENTS  
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability/Net Pension Asset - Ohio Public Employees Retirement System (OPERS) .....	90
Schedule of the City's Proportionate Share of the Net Pension Liability - Ohio Police and Fire (OP&F) Pension Fund .....	92
Schedule of City Pension Contributions Ohio Public Employees Retirement System (OPERS) .....	94
Schedule of City Pension Contributions Ohio Police and Fire (OP&F) Pension Fund .....	96
Schedule of the City's Proportionate Share of the Net OPEB Liability/Net OPEB Asset – Ohio Public Employees Retirement System (OPERS) .....	98
Schedule of the City's Proportionate Share of the Net OPEB Liability - Ohio Police and Fire (OP&F) Pension Fund .....	100
Schedule of City OPEB Contributions Ohio Public Employees Retirement System (OPERS) .....	102
Schedule of City OPEB Contributions Ohio Police and Fire (OP&F) Pension Fund .....	104
Notes to Required Supplementary Information .....	106
Schedule of Expenditures of Federal Awards .....	111
Notes to the Schedule of Expenditures of Federal Awards .....	112
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	113
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	115
Schedule of Findings.....	119

# OHIO AUDITOR OF STATE KEITH FABER



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

## INDEPENDENT AUDITOR'S REPORT

City of Fairlawn  
Summit County  
3487 South Smith Road  
Fairlawn, Ohio 44333

To the Honorable Mayor and Members of City Council:

### Report on the Audit of the Financial Statements

#### **Opinions**

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

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

#### **Basis for Opinions**

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

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

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

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

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

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

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

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

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

**Required Supplementary Information**

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

**Supplementary information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
September 23, 2024

**This page intentionally left blank.**



## CITY OF FAIRLAWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

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

#### Financial Highlights

Key financial highlights for 2023 are as follows:

- The total net position of the City decreased \$633,071. The net position of governmental activities decreased \$464,774 or 0.66% from 2022, to a total of \$69,541,659 in 2023, while the net position of business-type activities decreased by \$168,297 or 1.11% to \$14,957,321 in 2023.
- The City had \$30,058,822 in total revenues in 2023, of which \$26,824,022 related to governmental activities and \$3,234,800 related to business-type activities. General revenues accounted for \$23,948,074 or 79.67% of total revenues, while program specific revenues accounted for \$6,110,748 or 20.33% of total revenues.
- The City had \$30,691,893 in total expenses in 2023. Governmental activities accounted for \$27,288,796 of total expenses; \$2,875,948 of these expenses were offset by program specific charges for services, grants, or contributions. The remaining governmental activities expenses of \$24,412,848 were offset by general revenues, primarily consisting of property taxes, income taxes, payments in lieu of taxes, unrestricted grants and entitlements, Joint Economic Development District (JEDD) revenues, and investment earnings. Business-type activities accounted for \$3,403,097 of total expenses; these expenses were partially offset by program specific charges for services, grants, or contributions.
- The City has three major governmental funds, the general fund, the Crystal Clinic tax increment financing (TIF) fund, and the capital improvement fund, and one major proprietary fund, the broadband fund. The general fund, the largest major governmental fund, had revenues and other financing sources of \$19,234,228 in 2023. This represents a decrease of \$888,350 over 2022's revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$18,805,014 in 2023, increased \$1,001,356 from 2022. The net increase in fund balance for the general fund was \$486,550 or 2.30%.
- The Crystal Clinic TIF fund had revenues of \$1,521,692 in 2023. The expenditures of the Crystal Clinic TIF fund totaled \$1,521,692 in 2023.
- The capital improvement fund had revenues and other financing sources of \$4,176,067 in 2023. The expenditures of the capital improvement fund totaled \$4,820,862 in 2023. The net decrease in fund balance for the capital improvement fund was \$644,795 or 10.13%.
- The broadband fund had operating revenues of \$3,233,599 and operating expenses of \$3,390,980, resulting in an operating loss of \$157,381 in 2023. The broadband fund had nonoperating revenues and expenses of \$1,201 and \$12,117, respectively, in 2023. The net decrease in net position for the broadband fund was \$168,297 or 1.11%.

#### Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

## CITY OF FAIRLAWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

#### **Reporting the City as a Whole**

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

*Governmental activities* - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

*Business-type activities* - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

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

##### ***Fund Financial Statements***

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are: the general fund, the Crystal Clinic TIF fund, and the capital improvement fund. The City's major proprietary fund is the broadband fund. The analysis of the City's major funds begins on page 14.

##### ***Governmental Funds***

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions.

## CITY OF FAIRLAWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the Crystal Clinic TIF fund, and the capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23-28 of this report.

#### ***Proprietary Funds***

The City only maintains one type of proprietary funds, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its broadband utility operations. The basic proprietary fund statements can be found on pages 29-31 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds consist of a pension trust fund and a custodial fund. The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35-89 of this report.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability, net pension asset, pension contributions, net OPEB liability, net OPEB asset, and OPEB contributions. The required supplementary information can be found on pages 91-110 of this report.

**CITY OF FAIRLAWN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2023 compared to 2022.

	<b>Net Position</b>					
	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Business-Type Activities 2022	Total 2023	Total 2022
	<b>Assets</b>					
Current and other assets	\$ 38,521,082	\$ 37,382,650	\$ 2,991,773	\$ 2,628,384	\$ 41,512,855	\$ 40,011,034
Capital assets, net	62,204,924	62,467,454	12,965,138	13,604,262	75,170,062	76,071,716
Total assets	<u>100,726,006</u>	<u>99,850,104</u>	<u>15,956,911</u>	<u>16,232,646</u>	<u>116,682,917</u>	<u>116,082,750</u>
<b>Deferred outflows of resources</b>						
Pension	6,697,009	3,508,314	208,403	124,914	6,905,412	3,633,228
OPEB	1,171,074	967,412	30,498	22,164	1,201,572	989,576
Total deferred outflows of resources	<u>7,868,083</u>	<u>4,475,726</u>	<u>238,901</u>	<u>147,078</u>	<u>8,106,984</u>	<u>4,622,804</u>
<b>Liabilities</b>						
Current and other liabilities	1,947,159	892,103	96,305	104,265	2,043,464	996,368
Long-term liabilities:						
Due within one year	1,065,688	964,041	132,423	146,976	1,198,111	1,111,017
Net pension liability	19,169,903	10,263,748	502,879	175,549	19,672,782	10,439,297
Net OPEB liability	1,071,745	1,453,066	10,028	-	1,081,773	1,453,066
Other amounts	10,493,500	10,781,449	458,098	532,509	10,951,598	11,313,958
Total liabilities	<u>33,747,995</u>	<u>24,354,407</u>	<u>1,199,733</u>	<u>959,299</u>	<u>34,947,728</u>	<u>25,313,706</u>
<b>Deferred inflows of resources</b>						
Property taxes	1,063,372	924,363	-	-	1,063,372	924,363
PILOTS	1,693,644	1,614,986	-	-	1,693,644	1,614,986
Leases	309,541	316,657	-	-	309,541	316,657
Pension	1,150,739	5,808,265	34,763	226,949	1,185,502	6,035,214
OPEB	1,087,139	1,300,719	3,995	67,858	1,091,134	1,368,577
Total deferred inflows of resources	<u>5,304,435</u>	<u>9,964,990</u>	<u>38,758</u>	<u>294,807</u>	<u>5,343,193</u>	<u>10,259,797</u>
<b>Net Position</b>						
Net investment in capital assets	61,798,583	62,013,342	12,421,208	12,966,949	74,219,791	74,980,291
Restricted	2,361,212	2,035,354	-	-	2,361,212	2,035,354
Unrestricted	5,381,864	5,957,737	2,536,113	2,158,669	7,917,977	8,116,406
Total net position	<u>\$ 69,541,659</u>	<u>\$ 70,006,433</u>	<u>\$ 14,957,321</u>	<u>\$ 15,125,618</u>	<u>\$ 84,498,980</u>	<u>\$ 85,132,051</u>

## CITY OF FAIRLAWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB, the net pension asset, and the 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/asset or net OPEB liability/asset. 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 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. If 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.

**CITY OF FAIRLAWN, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Over time, net position can serve as a useful indicator of a government’s financial position. At December 31, 2023, the City’s assets and deferred outflows exceeded liabilities and deferred inflows by \$84,498,890. At year-end, net position was \$69,541,659 and \$14,957,321 for the governmental activities and the business-type activities, respectively.

Capital assets, reported on the government-wide statements, represent the largest portion of the City’s assets. At year-end, capital assets represented 64.42% of total assets. Capital assets include land, construction in progress, buildings and improvements, land improvements, licensed vehicles, machinery and equipment, infrastructure, and intangible right to use - leased buildings, equipment, software, and infrastructure.

Most of the City’s net position is reflected in its investment in capital assets, less any related debt used to acquire those assets. These capital assets are utilized by the City to provide services to its citizens and are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. At December 31, 2023, the City’s net investment in capital assets was \$61,798,583 and \$12,421,208 in governmental activities and business-type activities, respectively.

A portion of the City’s total net position, \$2,361,212, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City’s ongoing obligations to citizens and creditors.

The table below shows the changes in net position for the years 2023 and 2022.

	<b>Change in Net Position</b>					
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
	2023	2022	2023	2022	2023	2022
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,417,223	\$ 1,026,076	\$ 3,223,310	\$ 3,203,293	\$ 4,640,533	\$ 4,229,369
Operating grants and contributions	516,035	456,091	11,490	24,737	527,525	480,828
Capital grants and contributions	942,690	2,564,542	-	-	942,690	2,564,542
<b>Total program revenues</b>	<b>2,875,948</b>	<b>4,046,709</b>	<b>3,234,800</b>	<b>3,228,030</b>	<b>6,110,748</b>	<b>7,274,739</b>

(Continued)

**CITY OF FAIRLAWN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**Change in Net Position - (Continued)**

	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Business-Type Activities 2022	Total 2023	Total 2022
General revenues:						
Property and other taxes	1,227,290	1,058,884	-	-	1,227,290	1,058,884
Income taxes	15,300,514	15,942,013	-	-	15,300,514	15,942,013
Payments in lieu of taxes	1,623,986	879,068	-	-	1,623,986	879,068
Unrestricted grants and entitlements	486,466	446,592	-	-	486,466	446,592
JEDD revenues	3,733,429	3,734,388	-	-	3,733,429	3,734,388
Investment earnings	1,182,737	328,783	-	-	1,182,737	328,783
Gain on sale of capital assets	34,092	33,918	-	-	34,092	33,918
Miscellaneous	359,560	312,604	-	-	359,560	312,604
<b>Total general revenues</b>	<b>23,948,074</b>	<b>22,736,250</b>	<b>-</b>	<b>-</b>	<b>23,948,074</b>	<b>22,736,250</b>
<b>Total revenues</b>	<b>26,824,022</b>	<b>26,782,959</b>	<b>3,234,800</b>	<b>3,228,030</b>	<b>30,058,822</b>	<b>30,010,989</b>
<b>Expenses</b>						
General government	5,020,481	4,862,207	-	-	5,020,481	4,862,207
Security of persons and property	10,566,539	8,464,827	-	-	10,566,539	8,464,827
Public health and welfare	110,334	113,988	-	-	110,334	113,988
Transportation	6,958,681	4,218,961	-	-	6,958,681	4,218,961
Community environment	2,306,677	1,491,666	-	-	2,306,677	1,491,666
Leisure time activity	564,002	462,711	-	-	564,002	462,711
Utility services	1,417,773	996,865	-	-	1,417,773	996,865
Interest and fiscal charges	344,309	340,503	-	-	344,309	340,503
Broadband	-	-	3,403,097	3,066,154	3,403,097	3,066,154
<b>Total expenses</b>	<b>27,288,796</b>	<b>20,951,728</b>	<b>3,403,097</b>	<b>3,066,154</b>	<b>30,691,893</b>	<b>24,017,882</b>
<b>Change in net position</b>	<b>(464,774)</b>	<b>5,831,231</b>	<b>(168,297)</b>	<b>161,876</b>	<b>(633,071)</b>	<b>5,993,107</b>
Net position at beginning of year	70,006,433	64,175,202	15,125,618	14,963,742	85,132,051	79,138,944
<b>Net position at end of year</b>	<b>\$ 69,541,659</b>	<b>\$ 70,006,433</b>	<b>\$ 14,957,321</b>	<b>\$ 15,125,618</b>	<b>\$ 84,498,980</b>	<b>\$ 85,132,051</b>

**Governmental Activities**

Governmental activities net position decreased \$464,774 in 2023.

General government expenses totaled \$5,020,481 and were partially offset by \$235,880 in direct charges to users of the services. Security of persons and property, which primarily supports the operations of the police, fire/EMS, and dispatch departments accounted for \$10,566,539 of the total expenses of the City. These expenses were partially funded by \$730,950 in direct charges to users of the services, \$1,763 in operating grants and contributions, and \$776 in capital grants and contributions. Transportation expenses, which primarily support the engineering and service departments, totaled \$6,958,681. Transportation expenses were partially funded by \$43,873 in direct charges to users of the services, \$470,340 in operating grants and contributions, and \$941,914 in capital grants and contributions.

**CITY OF FAIRLAWN, OHIO**

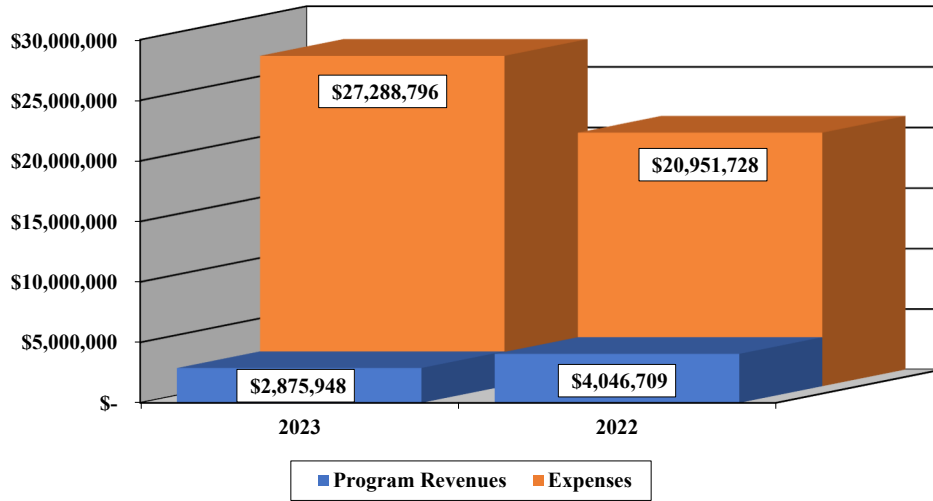
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The county, state, and federal governments contributed to the City a total of \$942,690 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$776 subsidized security of persons and property and \$941,914 subsidized transportation programs.

General revenues totaled \$23,948,074 and amounted to 89.28% of total governmental revenues. These revenues primarily consist of property and other tax revenues of \$1,227,290, income tax revenues of \$15,300,514, and JEDD revenues of \$3,733,429.

The graph below illustrates the City’s dependence upon general revenues as program revenues are not sufficient to cover total governmental expenses.

**Governmental Activities - Program Revenues vs. Total Expenses**



The statement of activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services primarily supported by tax revenue, unrestricted grants and entitlements, JEDD revenues, and investment earnings.

	<b>Governmental Activities</b>			
	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services
	2023	2023	2022	2022
Program Expenses:				
General government	\$ 5,020,481	\$ 4,784,601	\$ 4,862,207	\$ 4,648,195
Security of persons and property	10,566,539	9,833,050	8,464,827	8,102,644
Public health and welfare	110,334	110,334	113,988	113,988
Transportation	6,958,681	5,502,554	4,218,961	1,431,651
Community environment	2,306,677	2,168,395	1,491,666	1,397,050
Leisure time activity	564,002	553,566	462,711	451,626
Utility services	1,417,773	1,116,039	996,865	419,362
Interest and fiscal charges	344,309	344,309	340,503	340,503
<b>Total</b>	<b>\$ 27,288,796</b>	<b>\$ 24,412,848</b>	<b>\$ 20,951,728</b>	<b>\$ 16,905,019</b>

The dependence upon general revenues for governmental activities is apparent, with 89.46% of expenses supported through taxes and other general revenues.

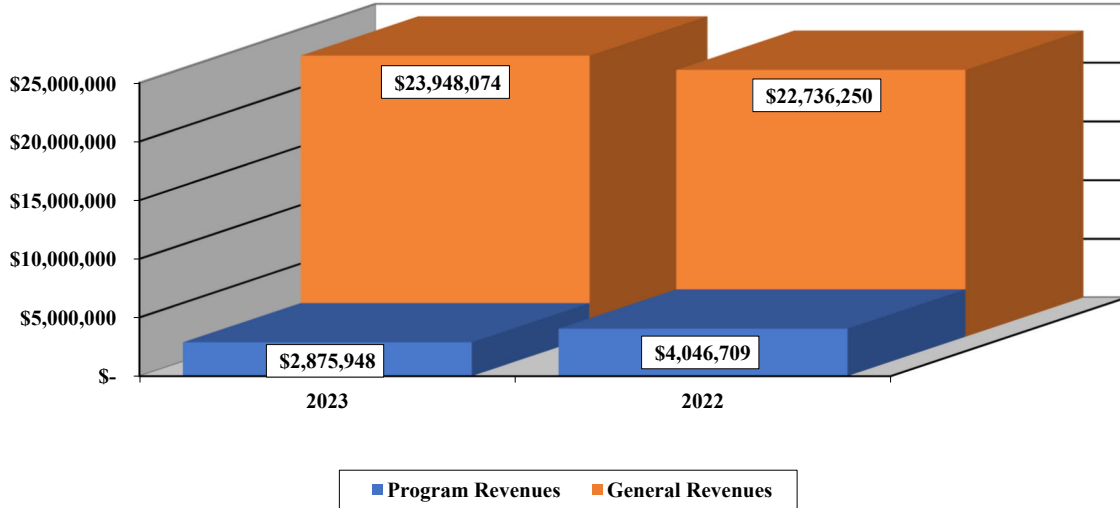


**CITY OF FAIRLAWN, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The chart below illustrates the City’s program revenues versus general revenues for 2023 and 2022:

**Governmental Activities - General and Program Revenues**

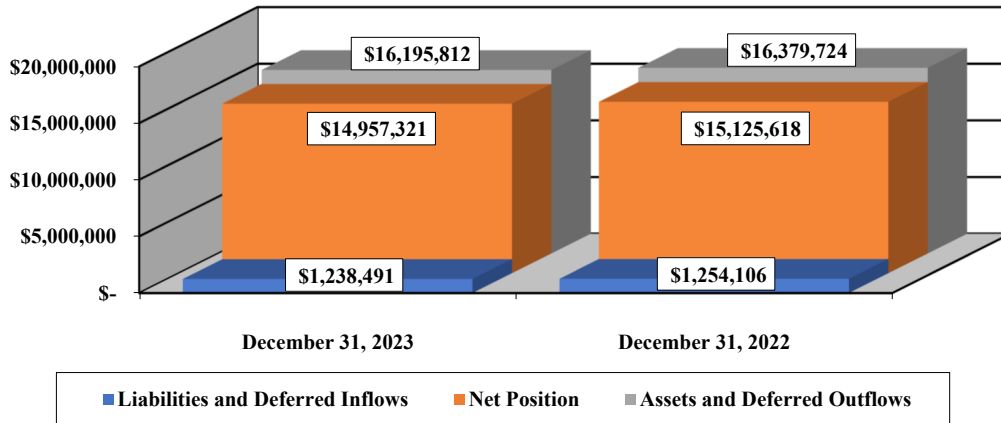


**Business-Type Activities**

Business-type activities net position decreased \$168,297 in 2023.

Broadband expenses were \$3,403,097 for the year. Broadband expenses were partially offset by \$3,223,310 in direct charges to users of the City’s broadband utility and \$11,490 in operating grants and contributions.

**Net Position in Business - Type Activities**



**Financial Analysis of the Government’s Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF FAIRLAWN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**Governmental Funds**

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 serves as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$29,789,406 which is \$194,426 more than last year's total of \$29,594,980. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2023 and 2022 for all major and nonmajor governmental funds.

	Fund Balances 12/31/23	Fund Balances 12/31/22	Increase/ (Decrease)	Percentage Change
Major funds:				
General	\$ 21,657,103	\$ 21,170,553	\$ 486,550	2.30 %
Crystal Clinic TIF	-	-	-	- %
Capital improvement	5,718,329	6,363,124	(644,795)	(10.13) %
Other nonmajor governmental funds	2,413,974	2,061,303	352,671	17.11 %
<b>Total</b>	<b>\$ 29,789,406</b>	<b>\$ 29,594,980</b>	<b>\$ 194,426</b>	<b>0.66 %</b>

**General Fund**

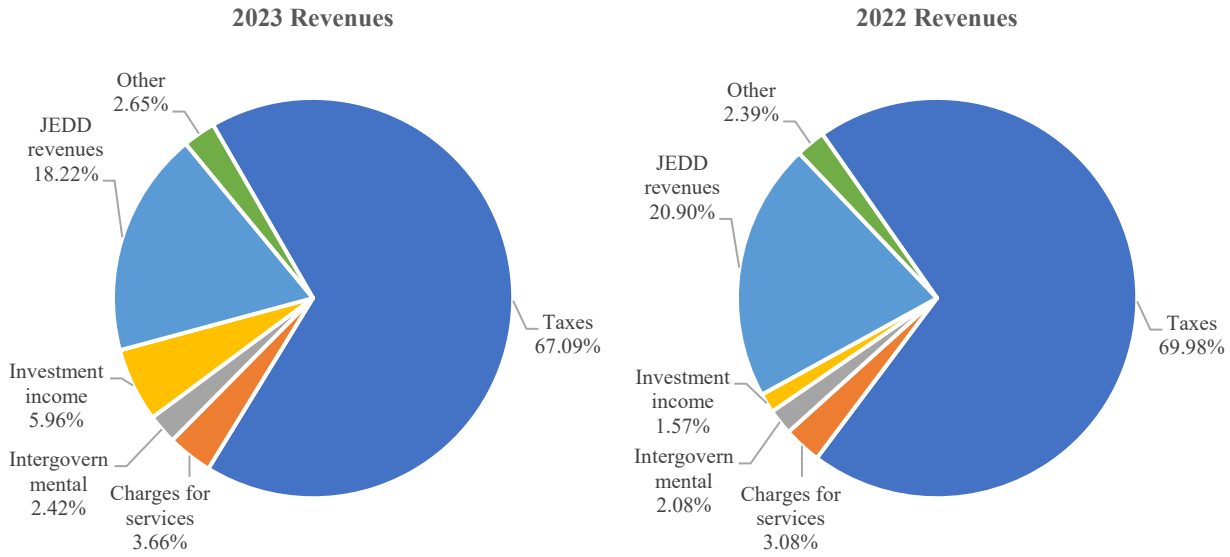
The City's general fund balance increased 2.30%, as revenues outpaced expenditures. The table that follows assists in illustrating the revenues of the general fund.

	2023	2022	Percentage Change
<b>Revenues</b>			
Taxes	\$ 12,796,197	\$ 14,038,230	(8.85) %
Charges for services	698,626	616,846	13.26 %
Intergovernmental	460,624	417,331	10.37 %
Investment income	1,136,823	315,149	260.73 %
JEDD revenues	3,474,960	4,192,440	(17.11) %
Other	505,038	479,370	5.35 %
<b>Total</b>	<b>\$ 19,072,268</b>	<b>\$ 20,059,366</b>	<b>(4.92) %</b>

Overall revenues of the general fund decreased \$987,098 or 4.92%. Tax revenue represents 67.09% of all general fund revenues, while income tax-based JEDD revenues accounted for another 18.22%. Charges for services increased \$81,780 or 13.26% due to increases in emergency medical services fees and school resource officer (SRO) fees. Interest income increased by \$821,674, due to the Federal Reserve, Federal Open Markets Committee increasing the target federal funds rate to combat soaring inflation, which indirectly influences the short-term interest rates paid on the City's investments.

**CITY OF FAIRLAWN, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**



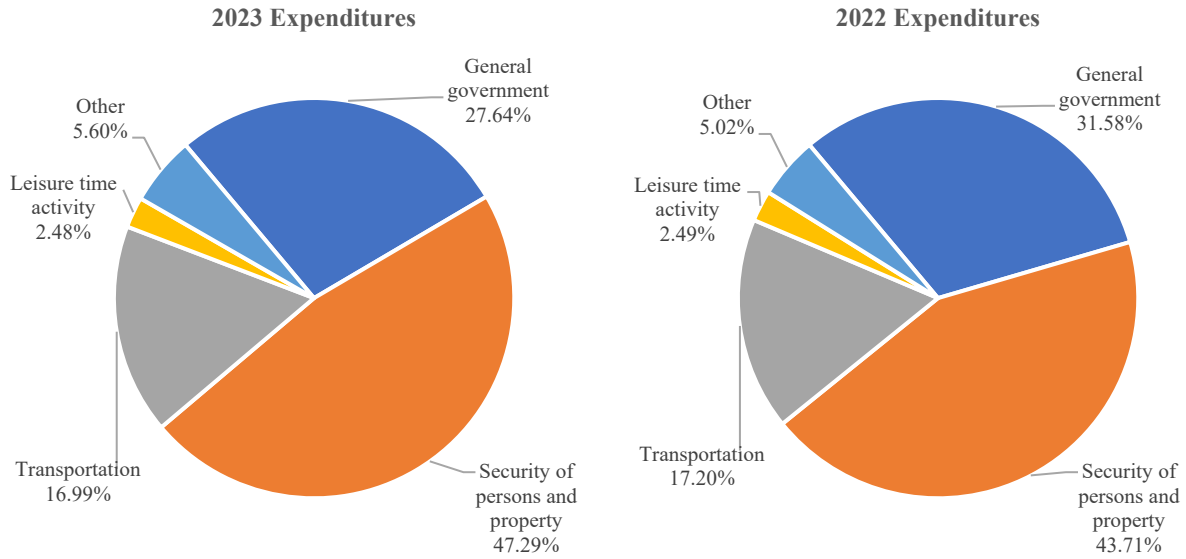
The table that follows assists in illustrating the expenditures of the general fund.

<u>Expenditures</u>	<u>2023</u>	<u>2022</u>	<u>Percentage Change</u>
General government	\$ 4,861,219	\$ 5,276,766	(7.88) %
Security of persons and property	8,316,321	7,302,691	13.88 %
Transportation	2,987,714	2,872,960	3.99 %
Leisure time activity	436,108	416,617	4.68 %
Other	983,352	838,184	17.32 %
<b>Total</b>	<b>\$ 17,584,714</b>	<b>\$ 16,707,218</b>	<b>5.25 %</b>

The general fund’s resources were primarily used for general government, security of persons and property, and transportation purposes, which accounted for 91.92% of all general fund expenditures in 2023. General government expenditures decreased \$415,547 or 7.88% partially due to a reduction in shared tax revenue payments to the City of Akron. Security of persons and property expenditures increased by \$1,013,630 or 13.88%, partially due to increased personnel costs in the police and fire/EMS departments and non-recurring costs arising from the transition of dispatching operations to the Summit Area Regional Council of Governments (SARCOG). Transportation expenditures increased by \$114,754 or 3.99% due to increased personnel costs in the service department.

**CITY OF FAIRLAWN, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**



***Crystal Clinic TIF Fund***

The Crystal Clinic TIF fund reported both revenues and expenditures of \$1,521,692 in 2023, while the fund’s assets and deferred inflows of resources totaled \$1,363,716 each.

***Capital Improvement Fund***

The capital improvement fund had revenues and other financing sources of \$4,176,067 in 2023. The expenditures of the capital improvement fund totaled \$4,820,862 in 2023. The fund balance in the capital improvement fund decreased by \$644,795 or 10.13% due to the completion of various projects in 2023.

***Budgeting Highlights***

Budgetary information is presented for the general fund on page 27. The final budget reflects revenues and other financing sources that were \$2,028,009 or 9.54% less than the original budget. Actual revenues and other financing sources were \$2,053,865 or 9.67% less than the original budget and \$25,856 or 0.13% less than the final budget. The revenue category with the largest negative variance was income taxes, with actual revenues trailing the final budget by 3.02%, resulting in a revenue deficit of \$368,018.

During 2023, actual expenditures (including current year encumbrances) were \$2,592,161 or 11.25% under the original budget and \$2,469,363 or 10.78% less than the final budget. Actual general government expenditures were \$871,923 or 13.19% less than the original budget and \$837,519 or 12.74% less than the final budget. The security of persons and property original and final budgets exceeded actual expenditures by 8.20% and 7.82%, respectively, while actual transportation expenditures were 5.82% and 7.72% under the respective original and final budgets.

The general fund ended the year with a net fund balance decrease of \$1,245,656.

***Proprietary Funds***

The City’s proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. Net position for the City’s broadband fund at the end of the year decreased 1.11% to \$14,957,321, while total assets decreased to \$15,956,911.

**CITY OF FAIRLAWN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2023, the City had \$75,170,062 (net of accumulated depreciation/amortization) invested in governmental and business-type capital assets, consisting of land, construction in progress, buildings and improvements, land improvements, licensed vehicles, machinery and equipment, infrastructure, and intangible right to use assets. In total, capital assets (net of accumulated depreciation/amortization) decreased by \$901,654 or 1.19%.

The following table presents the City's capital assets, net of depreciation/amortization at December 31, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 6,132,383	\$ 6,132,383	\$ -	\$ -	\$ 6,132,383	\$ 6,132,383
Construction in progress	960,115	43,645	-	55,191	960,115	98,836
Buildings and improvements	7,544,921	7,837,461	-	-	7,544,921	7,837,461
Land improvements	1,649,403	1,654,066	-	-	1,649,403	1,654,066
Licensed vehicles	2,159,386	1,579,955	30,805	35,159	2,190,191	1,615,114
Machinery and equipment	1,272,826	1,331,790	2,283,469	2,458,943	3,556,295	3,790,733
Infrastructure	42,373,219	43,841,621	10,095,988	10,419,745	52,469,207	54,261,366
Intangible right to use assets:						
Buildings	-	-	482,963	572,125	482,963	572,125
Equipment	33,609	46,533	15,067	31,891	48,676	78,424
Software	79,062	-	56,846	-	135,908	-
Infrastructure	-	-	-	31,208	-	31,208
<b>Total</b>	<b>\$ 62,204,924</b>	<b>\$ 62,467,454</b>	<b>\$ 12,965,138</b>	<b>\$ 13,604,262</b>	<b>\$ 75,170,062</b>	<b>\$ 76,071,716</b>

Major capital asset events during the current year included the following:

- Purchase of an ambulance cab and chassis (\$97,916)
- Construction of a backup generator building for the fire station and municipal complex (\$862,199)
- Construction of an informational sign at W Market St and Smith Rd (\$90,135)
- Purchase and/or upfitting of four police cruisers (\$240,919)
- Purchase of a roll-off truck (\$254,600)
- Purchase of a 3-ton dump truck (\$247,000)

See Note 9 to the basic financial statements for additional capital asset detail.

**CITY OF FAIRLAWN, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ 293,899	\$ 358,839	\$ -	\$ -	\$ 293,899	\$ 358,839
Lease-purchase	8,610,000	8,850,000	-	-	8,610,000	8,850,000
Leases payable	33,737	46,591	505,763	637,313	539,500	683,904
SBITA payable	78,704	-	38,166	-	116,870	-
<b>Total</b>	<b>\$ 9,016,340</b>	<b>\$ 9,255,430</b>	<b>\$ 543,929</b>	<b>\$ 637,313</b>	<b>\$ 9,560,269</b>	<b>\$ 9,892,743</b>

See Note 10 to the basic financial statements for details on the City’s long-term obligations.

**Economic Conditions and Next Year’s General Fund Budget Outlook**

The City is a residential community with an extensive business base. The City is home to several large corporations, a multitude of small, diverse businesses, and five thriving retail centers, including Summit Mall, Rosemont Commons, The Shops at Fairlawn, the Fairlawn Towne Center, and Miller-Market Square. The City’s convenient location continues to attract and retain growing businesses.

The City controls the development and zoning of land for commercial (for example, retail and office) and residential use in the City’s land use plan which has been recently updated. The purpose of the plan is to assure that the City’s infrastructure can fully serve the anticipated uses for the land in each area. In addition, the plan calls for buffering zones which protect and maintain the stability of residential areas in the City. The City does not permit industrial or manufacturing uses in its zoning code.

The City has established a strong corporate office presence. It is currently home to several corporate headquarters, as well as accounting, legal and construction development offices. The City formed a Community Improvement Corporation (CIC) in 2010 to expand its economic development capabilities and to attract and retain businesses.

The City is proud to offer outstanding city services to its residents. In addition to excellent police and fire protection, Fairlawn safety forces are active in the community, offering education programs such as fire prevention and Safety Town for our youngest residents. Fairlawn police support neighborhood block parent groups, offer residential checks and a senior call program to check on senior citizens living alone. The popular special traffic enforcement program (STEP) boosts traffic control where residents most see a need. The City’s highly trained emergency medical teams are outfitted with advanced medical equipment and provide free emergency medical care to Fairlawn residents. The municipal service center complex houses all public service functions and equipment in one area, including the FairlawnGig utility. FairlawnGig is the City’s municipal broadband utility, providing wireless and fiber optic broadband internet services to residential and commercial users located within the City and JEDD. The City provides trash and recycling services at no charge to residents at the Andrew Sombati Compactor site, an all-weather drive-thru trash compactor facility.

The City operates seventy acres of parks which offer year-round recreational programs for children and adults. The Learning Resource Center, staffed with a full-time Naturalist, offers nature-related programs and lectures to groups of all ages. Fairlawn Park offers adult and youth soccer fields and a community garden.

## CITY OF FAIRLAWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

In an effort to further assist its long-term planning and purchasing of large capital goods, the City has prepared and implemented a rolling, five-year capital plan. This plan sets forth anticipated needs for infrastructure improvements, heavy equipment, and other large expenditure items. Each department head is required to submit a plan for his or her department's needs in this regard. Each plan is subject to review by the City administration and Council. The purpose of the plan is to help insure the City against any unanticipated expenditures. The plan itself is updated annually which allows the City to continually plan for these expenditures for at least five years in the future. This plan has provided stability to the City's long-term planning and has also enabled the City to have a more realistic approach to its budgeting process.

The City's primary revenue source is the 2% local income tax withheld on the estimated 40,000 people working in the City. Income tax collections decreased 5.8% in 2023, but remained 8.8% above the 2021 level. The decrease resulted, in part, from multiple taxpayers reporting uncharacteristically high tax liabilities in the preceding year.

For 2024, the City is projecting general fund revenues to decrease 0.33% over the 2023 final budget, while general fund expenditures are budgeted to exceed the 2023 final budget by 2.85%. Programs supported by the general fund are budgeted at the same level of service as the preceding year.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Fairlawn, Finance Department, 3487 South Smith Road, Fairlawn, Ohio 44333.

**This page intentionally left blank.**



CITY OF FAIRLAWN, OHIO

STATEMENT OF NET POSITION  
DECEMBER 31, 2023

	Primary Government			Component Unit Community Improvement Corporation of Fairlawn
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Equity in pooled cash, cash equivalents, and investments	\$ 28,924,278	\$ 2,480,405	\$ 31,404,683	\$ 5,870
Cash and cash equivalents in segregated accounts	4,573	-	4,573	-
Cash and cash equivalents with fiscal agen	304	-	304	-
Receivables:				
Income taxes	2,870,392	-	2,870,392	-
Real and other taxes	1,104,448	-	1,104,448	-
Payments in lieu of taxes	1,693,644	-	1,693,644	-
Accounts	518,479	165,210	683,689	4
Special assessments	233,750	-	233,750	-
Accrued interest	6,640	-	6,640	-
Lease receivable	323,773	-	323,773	-
Due from other governments	1,881,255	513	1,881,768	-
Loans receivable	-	-	-	300,000
Rent receivable	-	-	-	670,500
Materials and supplies inventory	651,246	205,612	856,858	-
Prepayments	308,178	140,024	448,202	3,173
Assets held for sale	-	-	-	21,915
Net pension asset	122	9	131	-
Capital assets:				
Land and construction in progress	7,092,498	-	7,092,498	-
Depreciable capital assets, net	55,112,426	12,965,138	68,077,564	-
Total capital assets, net	62,204,924	12,965,138	75,170,062	-
Total assets	100,726,006	15,956,911	116,682,917	1,001,462
<b>Deferred outflows of resources:</b>				
Pension	6,697,009	208,403	6,905,412	-
OPEB	1,171,074	30,498	1,201,572	-
Total deferred outflows of resources	7,868,083	238,901	8,106,984	-
Total assets and deferred outflows of resources	108,594,089	16,195,812	124,789,901	1,001,462
<b>Liabilities:</b>				
Accounts payable	294,760	62,164	356,924	-
Contracts payable	228,142	-	228,142	-
Accrued wages and benefits payable	163,934	6,932	170,866	-
Compensated absences payable	59,873	2,277	62,150	-
Due to other governments	311,218	7,116	318,334	273
Unearned revenue	851,068	15,120	866,188	-
Accrued interest payable	38,164	2,696	40,860	-
Long-term liabilities				
Due within one year	1,065,688	132,423	1,198,111	-
Due in more than one year:				
Net pension liability	19,169,903	502,879	19,672,782	-
Net OPEB liability	1,071,745	10,028	1,081,773	-
Other amounts	10,493,500	458,098	10,951,598	-
Total liabilities	33,747,995	1,199,733	34,947,728	273
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year	1,063,372	-	1,063,372	-
PILOTS levied for the next fiscal year	1,693,644	-	1,693,644	-
Leases	309,541	-	309,541	-
Pension	1,150,739	34,763	1,185,502	-
OPEB	1,087,139	3,995	1,091,134	-
Total deferred inflows of resources	5,304,435	38,758	5,343,193	-
Total liabilities and deferred inflows of resources	39,052,430	1,238,491	40,290,921	273
<b>Net position:</b>				
Net investment in capital assets	61,798,583	12,421,208	74,219,791	-
Restricted for:				
Other purposes	2,361,212	-	2,361,212	-
Unrestricted (deficit)	5,381,864	2,536,113	7,917,977	1,001,189
Total net position	\$ 69,541,659	\$ 14,957,321	\$ 84,498,980	\$ 1,001,189

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Revenues				Net (Expense) Revenues and Changes in Net Position			Component Unit  Community Improvement Corporation of Fairlawn
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Governmental activities:</b>								
Current:								
General government	\$ 5,020,481	\$ 235,880	\$ -	\$ -	\$ (4,784,601)	\$ -	\$ (4,784,601)	\$ -
Security of persons and property	10,566,539	730,950	1,763	776	(9,833,050)	-	(9,833,050)	-
Public health and welfare	110,334	-	-	-	(110,334)	-	(110,334)	-
Transportation	6,958,681	43,873	470,340	941,914	(5,502,554)	-	(5,502,554)	-
Community environment	2,306,677	94,350	43,932	-	(2,168,395)	-	(2,168,395)	-
Leisure time activity	564,002	10,436	-	-	(553,566)	-	(553,566)	-
Utility services	1,417,773	301,734	-	-	(1,116,039)	-	(1,116,039)	-
Interest and fiscal charges	344,309	-	-	-	(344,309)	-	(344,309)	-
Total governmental activities	<u>\$ 27,288,796</u>	<u>\$ 1,417,223</u>	<u>\$ 516,035</u>	<u>\$ 942,690</u>	<u>(24,412,848)</u>	<u>-</u>	<u>(24,412,848)</u>	<u>-</u>
<b>Business-type activities:</b>								
Broadband	3,403,097	3,223,310	11,490	-	-	(168,297)	(168,297)	-
Total primary government	<u>\$ 30,691,893</u>	<u>\$ 4,640,533</u>	<u>\$ 527,525</u>	<u>\$ 942,690</u>	<u>(24,412,848)</u>	<u>(168,297)</u>	<u>(24,581,145)</u>	<u>-</u>
<b>Component Unit:</b>								
Community Improvement Corporation of Fairlawn	<u>\$ 2,770</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,662)</u>
<b>General revenues:</b>								
Property taxes levied for:								
General purposes					1,021,416	-	1,021,416	-
Police and fire pension					205,874	-	205,874	-
Income taxes levied for:								
General purposes					11,719,644	-	11,719,644	-
Capital outlay					3,580,870	-	3,580,870	-
Payments in lieu of taxes					1,623,986	-	1,623,986	-
Grants and entitlements not restricted to specific programs					486,466	-	486,466	-
JEDD revenues					3,733,429	-	3,733,429	-
Investment earnings					1,182,737	-	1,182,737	-
Gain on sale of capital assets					34,092	-	34,092	-
Miscellaneous					359,560	-	359,560	-
Total general revenues					<u>23,948,074</u>	<u>-</u>	<u>23,948,074</u>	<u>-</u>
Change in net position					(464,774)	(168,297)	(633,071)	(2,662)
<b>Net position at beginning of year</b>					<u>70,006,433</u>	<u>15,125,618</u>	<u>85,132,051</u>	<u>1,003,851</u>
<b>Net position at end of year</b>					<u>\$ 69,541,659</u>	<u>\$ 14,957,321</u>	<u>\$ 84,498,980</u>	<u>\$ 1,001,189</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023

	General	Crystal Clinic TIF	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash, cash equivalents, and investments	\$ 19,501,806	\$ -	\$ 5,473,664	\$ 3,948,808	\$ 28,924,278
Cash and cash equivalents in segregated accounts	4,248	-	-	325	4,573
Cash and cash equivalents with fiscal agent	-	-	304	-	304
Receivables:					
Income taxes	2,152,794	-	717,598	-	2,870,392
Real and other taxes	862,624	-	-	241,824	1,104,448
Payments in lieu of taxes	-	1,363,716	-	329,928	1,693,644
Accounts	516,615	-	-	1,864	518,479
Special assessments	-	-	233,750	-	233,750
Accrued interest	6,640	-	-	-	6,640
Lease receivable	323,773	-	-	-	323,773
Due from other funds	554,048	-	-	-	554,048
Due from other governments	1,233,842	-	411,803	235,610	1,881,255
Materials and supplies inventory	651,246	-	-	-	651,246
Prepayments	288,583	-	19,595	-	308,178
Total assets	<u>\$ 26,096,219</u>	<u>\$ 1,363,716</u>	<u>\$ 6,856,714</u>	<u>\$ 4,758,359</u>	<u>\$ 39,075,008</u>
<b>Liabilities:</b>					
Accounts payable	\$ 236,631	\$ -	\$ 12,050	\$ 46,079	\$ 294,760
Contracts payable	-	-	177,717	50,425	228,142
Accrued wages and benefits payable	163,934	-	-	-	163,934
Compensated absences payable	59,873	-	-	-	59,873
Due to other funds	-	-	-	554,048	554,048
Due to other governments	241,226	-	-	69,992	311,218
Unearned revenue	-	-	-	851,068	851,068
Total liabilities	<u>701,664</u>	<u>-</u>	<u>189,767</u>	<u>1,571,612</u>	<u>2,463,043</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	827,068	-	-	236,304	1,063,372
Delinquent property tax revenue not available	18,390	-	-	5,520	23,910
PILOTS levied for the next fiscal year	-	1,363,716	-	329,928	1,693,644
Special assessments revenue not available	-	-	233,750	-	233,750
Miscellaneous revenue not available	537,550	-	-	1,764	539,314
Income tax revenue not available	909,196	-	303,065	-	1,212,261
Intergovernmental revenue not available	172,353	-	411,803	199,257	783,413
JEDD revenues not available	963,354	-	-	-	963,354
Leases	309,541	-	-	-	309,541
Total deferred inflows of resources	<u>3,737,452</u>	<u>1,363,716</u>	<u>948,618</u>	<u>772,773</u>	<u>6,822,559</u>
Total liabilities and deferred inflows of resources	<u>4,439,116</u>	<u>1,363,716</u>	<u>1,138,385</u>	<u>2,344,385</u>	<u>9,285,602</u>
<b>Fund balances:</b>					
Nonspendable	947,725	-	19,595	-	967,320
Restricted	-	-	5,698,734	2,645,824	8,344,558
Committed	5,000	-	-	-	5,000
Assigned	4,757,788	-	-	-	4,757,788
Unassigned (deficit)	15,946,590	-	-	(231,850)	15,714,740
Total fund balances	<u>21,657,103</u>	<u>-</u>	<u>5,718,329</u>	<u>2,413,974</u>	<u>29,789,406</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,096,219</u>	<u>\$ 1,363,716</u>	<u>\$ 6,856,714</u>	<u>\$ 4,758,359</u>	<u>\$ 39,075,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2023

<b>Total governmental fund balances</b>		<b>\$ 29,789,406</b>
<i>Amounts reported for governmental activities on the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		62,204,924
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,212,261	
Real and other taxes receivable	28,969	
Accounts receivable	534,037	
Special assessments receivable	233,750	
Due from other governments	<u>1,746,985</u>	
Total		3,756,002
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		122
The net pension/OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows and outflows are not reported in governmental funds.		
Deferred outflows - pension	6,697,009	
Deferred outflows - OPEB	1,171,074	
Deferred inflows - pension	(1,150,739)	
Deferred inflows - OPEB	(1,087,139)	
Net pension liability	(19,169,903)	
Net OPEB liability	<u>(1,071,745)</u>	
Total		(14,611,443)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(38,164)	
Notes payable	(293,899)	
Lease-purchase payable	(8,610,000)	
Unamortized premium on lease-purchase issuance	(484,992)	
Leases payable	(33,737)	
SBITA payable	(78,704)	
Compensated absences	<u>(2,057,856)</u>	
Total		<u>(11,597,352)</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 69,541,659</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, OHIO**

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

	<u>General</u>	<u>Crystal Clinic TIF</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Income taxes	\$ 11,779,310	\$ -	\$ 3,600,759	\$ -	\$ 15,380,069
Real and other taxes	1,016,887	-	-	205,894	1,222,781
Charges for services	698,626	-	-	223,241	921,867
Licenses and permits	178,430	-	-	-	178,430
Fines, forfeitures, and settlements	95,513	-	16,466	31,885	143,864
Intergovernmental	460,624	-	30,400	1,364,634	1,855,658
Special assessments	-	-	13,911	-	13,911
Investment income	1,136,823	-	484	45,430	1,182,737
Rental income	83,406	-	-	-	83,406
Contributions and donations	11,235	-	25	-	11,260
JEDD revenues	3,474,960	-	-	-	3,474,960
Payments in lieu of taxes	-	1,521,692	-	102,294	1,623,986
Other	136,454	-	-	215,672	352,126
<b>Total revenues</b>	<b>19,072,268</b>	<b>1,521,692</b>	<b>3,662,045</b>	<b>2,189,050</b>	<b>26,445,055</b>
<b>Expenditures:</b>					
Current:					
General government	4,861,219	-	-	11,473	4,872,692
Security of persons and property	8,316,321	-	-	867,130	9,183,451
Public health and welfare	110,334	-	-	-	110,334
Transportation	2,987,714	-	-	304,467	3,292,181
Community environment	383,337	1,521,692	-	389,691	2,294,720
Leisure time activity	436,108	-	-	-	436,108
Utility services	312,045	-	-	195,642	507,687
Capital outlay	120,852	-	4,150,829	788,276	5,059,957
Debt service:					
Principal retirement	55,001	-	304,940	-	359,941
Interest and fiscal charges	1,783	-	365,093	-	366,876
<b>Total expenditures</b>	<b>17,584,714</b>	<b>1,521,692</b>	<b>4,820,862</b>	<b>2,556,679</b>	<b>26,483,947</b>
Excess (deficiency) of revenues over (under) expenditures	1,487,554	-	(1,158,817)	(367,629)	(38,892)
<b>Other financing sources (uses):</b>					
Sale of capital assets	41,108	-	14,022	-	55,130
Inception of SBITA	120,852	-	-	-	120,852
Transfers in	-	-	500,000	720,300	1,220,300
Transfers (out)	(1,220,300)	-	-	-	(1,220,300)
<b>Total other financing sources (uses)</b>	<b>(1,058,340)</b>	<b>-</b>	<b>514,022</b>	<b>720,300</b>	<b>175,982</b>
Net change in fund balances	429,214	-	(644,795)	352,671	137,090
<b>Fund balances at beginning of year</b>	<b>21,170,553</b>	<b>-</b>	<b>6,363,124</b>	<b>2,061,303</b>	<b>29,594,980</b>
<b>Increase in reserve for inventory</b>	<b>57,336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,336</b>
<b>Fund balances at end of year</b>	<b>\$ 21,657,103</b>	<b>\$ -</b>	<b>\$ 5,718,329</b>	<b>\$ 2,413,974</b>	<b>\$ 29,789,406</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, 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** \$ 137,090

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

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

Capital asset additions	\$ 2,228,720	
Current year depreciation/amortization	<u>(2,470,212)</u>	
Total		(241,492)

The net effect of various transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position. (21,038)

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

Income taxes	(79,555)	
Real and other taxes	4,509	
Charges for services	94,754	
Licenses and permits	(5,477)	
Fines, forfeitures, and settlements	218	
Intergovernmental revenues	89,508	
Special assessments	(13,750)	
JEDD revenues	258,469	
Other	<u>(3,801)</u>	
Total		344,875

Governmental funds report expenditures for inventory when purchased. However, in the Statement of Activities, they are reported as an expense when consumed. 57,336

Proceeds of bonds, loans, leases, and SBITA are reported as an other financing source in the governmental funds, however, in the Statement of Activities, they are not reported as revenues as they increase the liabilities on the Statement of Net Position. (120,852)

Repayment of bond, lease, and SBITA principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Position. 359,942

In the Statement of Activities, interest is accrued on outstanding bonds, lease-purchases, leases, and SBITA, whereas in governmental funds, an interest expenditure is reported when due.

Accrued interest payable	1,181	
Amortization of premium on lease-purchase	<u>21,087</u>	
Total		22,268

Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred outflows.

Pension contributions	1,341,014	
OPEB contributions	<u>19,209</u>	
Total		1,360,223

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

Changes in net pension liability	(2,401,310)	
Changes in net OPEB liability	<u>112,059</u>	
Total		(2,289,251)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (73,875)

**Change in net position of governmental activities** \$ (464,774)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>			<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Income taxes	\$ 13,950,722	\$ 12,206,065	\$ 11,838,047	\$ (368,018)
Real and other taxes	1,027,636	1,003,043	1,023,147	20,104
Charges for services	613,287	537,046	684,658	147,612
Licenses and permits	230,393	168,267	180,632	12,365
Fines, forfeitures, and settlements	83,351	69,233	94,755	25,522
Intergovernmental	420,228	452,306	451,186	(1,120)
Investment income	301,734	1,012,839	1,124,071	111,232
Rental income	95,559	84,623	86,328	1,705
Contributions and donations	-	-	11,235	11,235
JEDD revenues	4,320,766	3,474,960	3,474,960	-
Other	130,268	137,553	137,554	1
<b>Total revenues</b>	<u>21,173,944</u>	<u>19,145,935</u>	<u>19,106,573</u>	<u>(39,362)</u>
<b>Expenditures:</b>				
Current:				
General government	6,610,055	6,575,651	5,738,132	837,519
Security of persons and property	9,135,376	9,097,172	8,385,824	711,348
Public health and welfare	115,000	111,100	110,334	766
Transportation	3,648,693	3,723,803	3,436,204	287,599
Community environment	1,102,370	973,370	396,396	576,974
Leisure time activity	511,212	517,312	479,709	37,603
Utility services	360,589	362,089	344,535	17,554
<b>Total expenditures</b>	<u>21,483,295</u>	<u>21,360,497</u>	<u>18,891,134</u>	<u>2,469,363</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(309,351)</u>	<u>(2,214,562)</u>	<u>215,439</u>	<u>2,430,001</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	27,602	27,602	41,108	13,506
Advances in	47,139	47,139	47,139	-
Advances (out)	(329,042)	(329,042)	(329,042)	-
Transfers (out)	(1,220,300)	(1,220,300)	(1,220,300)	-
<b>Total other financing sources (uses)</b>	<u>(1,474,601)</u>	<u>(1,474,601)</u>	<u>(1,461,095)</u>	<u>13,506</u>
Net change in fund balances	(1,783,952)	(3,689,163)	(1,245,656)	2,443,507
<b>Fund balances at beginning of year</b>	17,970,621	17,970,621	17,970,621	-
<b>Prior year encumbrances appropriated</b>	1,229,743	1,229,743	1,229,743	-
<b>Fund balance at end of year</b>	<u>\$ 17,416,412</u>	<u>\$ 15,511,201</u>	<u>\$ 17,954,708</u>	<u>\$ 2,443,507</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 CRYSTAL CLINIC TIF FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Payments in lieu of taxes	\$ 1,521,692	\$ 1,521,692	\$ 1,521,692	\$ -
Total revenues	<u>1,521,692</u>	<u>1,521,692</u>	<u>1,521,692</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Community environment	<u>1,521,692</u>	<u>1,521,692</u>	<u>1,521,692</u>	<u>-</u>
Total expenditures	<u>1,521,692</u>	<u>1,521,692</u>	<u>1,521,692</u>	<u>-</u>
Net change in fund balances	-	-	-	-
<b>Fund balances at beginning of year</b>	-	-	-	-
<b>Prior year encumbrances appropriated</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



CITY OF FAIRLAWN, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 DECEMBER 31, 2023

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Broadband</u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash, cash equivalents, and investments	\$ 2,480,405
Receivables:	
Accounts	165,210
Due from other governments	513
Materials and supplies inventory	205,612
Prepayments	140,024
Total current assets	<u>2,991,764</u>
Noncurrent assets:	
Net pension asset	9
Capital assets:	
Depreciable capital assets, net	12,965,138
Total capital assets, net	<u>12,965,138</u>
Total assets	<u>15,956,911</u>
<b>Deferred outflows of resources:</b>	
Pension	208,403
OPEB	30,498
Total deferred outflows of resources	<u>238,901</u>
Total assets and deferred outflows of resources	<u>16,195,812</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	62,164
Accrued wages and benefits payable	6,932
Due to other governments	7,116
Accrued interest payable	2,696
Compensated absences payable - current	2,277
Unearned revenue	15,120
Total current liabilities	<u>96,305</u>
Long-term liabilities:	
Compensated absences payable	46,592
SBITA payable	38,166
Lease payable	505,763
Net pension liability	502,879
Net OPEB liability	10,028
Total long-term liabilities	<u>1,103,428</u>
Total liabilities	<u>1,199,733</u>
<b>Deferred inflows of resources:</b>	
Pension	34,763
OPEB	3,995
Total deferred inflows of resources	<u>38,758</u>
Total liabilities and deferred inflows of resources	<u>1,238,491</u>
<b>Net position:</b>	
Net investment in capital assets	12,421,208
Unrestricted	2,536,113
Total net position	<u>\$ 14,957,321</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<b>Business-type Activities - Enterprise Fund</b>
	<b>Broadband</b>
<b>Operating revenues:</b>	
Charges for services	\$ 3,223,310
Other operating revenues	10,289
Total operating revenues	3,233,599
<b>Operating expenses:</b>	
Personal services	376,209
Fringe benefits	224,038
Contract services	1,455,945
Materials and supplies	431,723
Depreciation/amortization	899,105
Other	3,960
Total operating expenses	3,390,980
Operating loss	(157,381)
<b>Nonoperating revenues (expenses):</b>	
Interest and fiscal charges	(12,117)
Intergovernmental	1,201
Total nonoperating revenues (expenses)	(10,916)
Change in net position	(168,297)
<b>Net position at beginning of year</b>	15,125,618
<b>Net position at end of year</b>	\$ 14,957,321

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<b>Business-type Activities - Enterprise Fund</b>
	<b>Broadband</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services	\$ 3,198,626
Cash received from other operations	10,289
Cash payments for personal services	(370,701)
Cash payments for fringe benefits	(174,205)
Cash payments for contractual services	(1,469,509)
Cash payments for materials and supplies	(300,988)
Cash payments for other expenses	(8,642)
Net cash provided by operating activities	<u>884,870</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants	919
Net cash provided by financing activities	<u>919</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(202,142)
Principal retirement	(151,223)
Interest and fiscal charges	(10,317)
Net cash used in capital and related financing activities	<u>(363,682)</u>
Net increase in cash, cash equivalents, and investments	522,107
<b>Cash, cash equivalents, and investments at beginning of year</b>	<u>1,958,298</u>
<b>Cash, cash equivalents, and investments at end of year</b>	<u><u>\$ 2,480,405</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (157,381)
Adjustments:	
Depreciation/amortization	899,105
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) in accounts receivable	(29,476)
Decrease in materials and supplies inventory	59,077
Decrease in prepayments	70,251
Decrease in net pension asset	34
Decrease in net OPEB asset	59,114
(Increase) in deferred outflows of resources - pension	(83,489)
(Increase) in deferred outflows of resources - OPEB	(8,334)
(Decrease) in accounts payable	(11,627)
Increase in accrued wages and benefits	474
Increase in intergovernmental payable	669
Increase in compensated absences payable	5,034
Increase in unearned revenue	110
Increase in net pension liability	327,330
Increase in net OPEB liability	10,028
(Decrease) in deferred inflows of resources - pension	(192,186)
(Decrease) in deferred inflows of resources - OPEB	(63,863)
Net cash provided by operating activities	<u><u>\$ 884,870</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2023

	<b>Pension</b>	
	<b>Trust</b>	<b>Custodial</b>
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Cash in segregated accounts	\$ 539,521	\$ -
Investments	115,236	-
Receivables:		
Fines and forfeitures for other governments	<u>          -</u>	<u>    \$ 9,981</u>
Total assets	<u>    654,757</u>	<u>        9,981</u>
 <b>Net position:</b>		
Restricted for other employee benefit plans	654,757	-
Restricted for other governments	<u>          -</u>	<u>        9,981</u>
Total net position	<u>    \$ 654,757</u>	<u>    \$ 9,981</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FAIRLAWN, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<b><u>Pension Trust</u></b>	<b><u>Custodial</u></b>
<b>Additions:</b>		
From local sources:		
Amounts held for employees	\$ 12,750	\$ -
Fines and forfeitures for other	-	\$ 28,550
Earnings on investments	<u>77,325</u>	<u>-</u>
Total additions	<u>90,075</u>	<u>28,550</u>
<b>Deductions:</b>		
Fines and forfeitures distributions to other governments	-	32,845
Administrative expense	<u>1,144</u>	<u>-</u>
Total deductions	<u>1,144</u>	<u>32,845</u>
Net change in fiduciary net position	88,931	(4,295)
<b>Net position beginning of year</b>	<u>565,826</u>	<u>14,276</u>
<b>Net position end of year</b>	<u><u>\$ 654,757</u></u>	<u><u>\$ 9,981</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**This page intentionally left blank.**

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 1 - DESCRIPTION OF THE CITY

The City of Fairlawn (the “City”) is a charter municipal corporation established and operated under the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. The Mayor, Council and Finance Director are elected.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

For financial reporting purposes, the City’s basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete. The City has one component unit.

*Community Improvement Corporation of Fairlawn, Ohio* - The Community Improvement Corporation of Fairlawn, Ohio (the “CIC”) was formed pursuant to Ordinance 2010-030 passed June 21, 2010, and incorporated as a corporation not-for-profit under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code to advance, encourage, and promote industrial, economic, commercial and civic development of the City of Fairlawn. The CIC has been designated as the City of Fairlawn’s agent for industrial, commercial, distribution, and research development. The Board of Trustees of the CIC is to be comprised of no less than five members: three City representatives (the Mayor, the Council President, and the Finance Director) and two or more additional members appointed by a majority of the Board of Trustees. At all times, no less than two-fifths of the members shall be elected or appointed officials of the City. The CIC is also dependent on the City for financial support and is therefore presented as a component unit of the City. The CIC began operations on July 24, 2012. Financial statements can be obtained from the City of Fairlawn, Department of Finance, 3487 S. Smith Road, Fairlawn, Ohio 44333, and further disclosures for the discretely presented component unit can be found in Note 20.

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, general administrative services, and broadband utility services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

The Copley/Fairlawn City School District and the Akron-Summit County Public Library have been excluded from the City’s financial statements. Both are legally separate from the City. Neither imposes a financial burden nor provides a financial benefit to the City. The City cannot significantly influence the operations of these entities.

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City participates in the Akron Metropolitan Area Transportation Study (the “AMATS”), which is a jointly governed organization. This organization is responsible for fulfilling the area’s continuous, cooperative and comprehensive transportation planning process. The AMATS service area consists of Summit, Portage, and Chippewa Township of Wayne County. AMATS is led by the AMATS Transportation Policy Committee. The City is a member of the 43 member Policy Committee that is responsible for the preparation of regional transportation policies, plans and programs that meet the area’s present and future needs. In 2023, the City contributed \$1,886 to AMATS, which represents the City’s formula share.

The City participates in the Bath-Akron-Fairlawn Joint Economic Development District (the “JEDD”), which is a jointly governed organization. The JEDD was created to assure the continued economic viability of Bath Township. A nine-member board of directors, three appointed from Bath Township, Akron, and Fairlawn, respectively, controls the operation of the JEDD. The board exercises total control over the operation of the JEDD including budgeting, appropriating, contracting, and designating management. Each participant’s degree of control is limited to its representation on the board. All 2023 JEDD revenues were the result of the income tax levied by the JEDD effective January 1, 1999.

The City joined together with Summit County and the cities of Cuyahoga Falls, Stow, and Tallmadge to organize the Summit Area Regional Council of Governments (the “SARCOG”) pursuant to Chapter 167.01-08 of the Ohio Revised Code and an Intergovernmental Agreement to establish SARCOG dated February 17, 2022. SARCOG was organized as a voluntary organization of local political subdivisions in Summit County to foster a cooperative effort to plan for and implement a regional dispatch system for emergency services, including a regional dispatch center. SARCOG was also organized as a forum for the discussion and study of common emergency service problems of a multiple community nature, and for the development of policy, programs, and implementation of such remedies as are appropriate. SARCOG is governed by a Board of Trustees. Each political subdivision which is a party to the Intergovernmental Agreement shall be a member of SARCOG and shall have one representative on the SARCOG Board of Trustees. In 2023, the City contributed \$254,438 to SARCOG, which represents the City’s formula share.

The City joined together with Summit County to organize the Summit-Fairlawn Broadband Regional Council of Governments (the “Broadband COG”) pursuant to Chapter 167.01-08 of the Ohio Revised Code and a Cooperative Agreement to establish the Broadband COG dated July 18, 2022. The Broadband COG was organized to undertake, construct, and operate an approximately 130-mile high-speed fiber-optic ring throughout Summit County and a secure, approximately 20,000 square foot data center for public and private use in the Fairlawn Corporate Park. The Broadband COG Board of Trustees is comprised of one voting member from each participating community. In 2023, the City made no contributions to the Broadband COG.

#### **B. Basis of Presentation - Fund Accounting**

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 activities.



## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary fund are charges for services. Operating expenses for the enterprise fund include personnel and other expenses related to broadband operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

#### C. 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. The following categories are used by the City:

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Crystal Clinic Tax Increment Financing (TIF) Fund - This fund is used to account for the service payments derived from the Crystal Clinic tax increment financing site.

Capital Improvement Fund - This fund is used to account for the acquisition and construction of major capital facilities.

Other governmental funds of the City are used to account for (a) specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

***Proprietary Funds*** - Proprietary fund reporting focuses on changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's only proprietary fund is an enterprise fund.

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

***Broadband Fund*** - The broadband fund accounts for the activities of FairlawnGig, the City's municipal broadband utility, which provides wireless and fiber optic broadband internet services to the residents and commercial users located within the City and JEDD.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City has a pension (and other employee benefit) trust fund that is used to account for employee wage deferrals held in in trust for the exclusive benefit of the participants and their beneficiaries. The City's only custodial fund is used to account for fines and fees collected and distributed through the Mayor's Court for the benefit of other governments.

#### **D. Measurement Focus and Basis of Accounting**

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

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

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

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### E. 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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees, and special assessments.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 13 and 14 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance 2024 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow of resources for leases is related to the lease receivable and is being amortized to rental income in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

See Notes 13 and 14 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

#### F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget (or the alternative tax budget as permitted by law), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the custodial fund, are legally required to be budgeted and appropriated. The legal level of budgetary control established by Council separately identifies the amounts appropriated for personal services, interfund transactions, capital purchases, and other object level items within each fund. Budgetary modifications may only be made by an ordinance of Council at the legal level of control.

**Tax Budget** - Alternative tax budget information of estimated revenue and expenditures for all funds is submitted to the Summit County Fiscal Officer, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except the custodial fund, are legally required to be budgeted; however, only governmental funds are legally required to be reported.

**Estimated Resources** - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2023.

**Appropriations** - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority for each department, separately identifying the amount appropriated for personal services, interfund transactions, capital purchases, and other object level items. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Encumbrances** - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control. On the GAAP basis, encumbrances outstanding at year end are reported as assigned, committed, or restricted fund balances for subsequent-year expenditures for governmental funds.

**Lapsing of Appropriations** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not re-appropriated as part of the subsequent year appropriations.

#### G. Cash, Cash Equivalents, and Investments

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in pooled cash, cash equivalents, and investments" on the financial statements.

Except for nonparticipating investment contracts and STAR Ohio, investments are reported at fair value based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2023, interest revenue credited to the general fund amounted to \$1,124,071, which includes \$381,754 assigned from other City funds.

The City has a segregated bank account for monies held separate from the City's central bank account. This noninterest bearing depository account is presented in the financial statements as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the City treasury.

For the purpose of presentation on the financial statements, 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.

An analysis of the City's investment account at year-end is provided in Note 4.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

**H. Inventories of Materials and Supplies**

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by non-spendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	15 - 50 years
Land improvements	25 - 75 years
Licensed vehicles	3 - 25 years
Machinery and equipment	5 - 30 years
Infrastructure	10 - 60 years
Intangible right to use:	
Leased building	10 years
Leased equipment	2 - 5 years
Leased infrastructure	3 years
Software	3 - 5 years

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

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### **J. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees currently eligible to receive termination benefits and those the City has identified as probable of receiving benefits in the future. The amount is based on accumulated sick leave and the employees' wage rates at fiscal year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees hired before January 1, 2009.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. The City had compensated absences payable of \$59,873 in the general fund in 2023.

##### **K. 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 and compensated absences that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

##### **L. Interfund Balances**

On fund financial statements, receivables and payables resulting from goods and services provided between funds are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

##### **M. Interfund Activity**

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

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes unclaimed monies and year-end balances of materials and supplies inventories and prepaid assets.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 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 Council (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the City 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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies or ordinances of the City Council or by State statute. State statute authorizes the Finance Director to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

##### O. Estimates

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



**CITY OF FAIRLAWN, 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 represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes limitations imposed for law enforcement, sewer maintenance, streets and highways maintenance, tax increment financing, energy improvement, and enforcement purposes. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Q. Prepaid Items**

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

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

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related 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.

**S. Fair Value Measurements**

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.

**T. Contributions of Capital**

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2023, the City’s proprietary fund did not report any in capital contributions.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2023, the City has implemented GASB Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, GASB Statement No. 96, “*Subscription Based Information Technology Arrangements*”, certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, “*Omnibus 2022*”.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the City.

GASB Statement No. 96 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. These changes were incorporated in the City’s 2023 financial statements and had no effect on beginning net position or fund balance.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the City.

GASB Statement No. 99 is 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 GASB Statement No. 99 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	
Rosemont Greens public improvement TIF	\$ (231,850)

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - 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.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. Bonds of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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

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. Historically, the City has not purchased these types of investments or issued these types of notes. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

#### **A. Cash on Hand**

At year end, the City had \$1,400 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash, cash equivalents, and investments."

#### **B. Cash in Segregated Accounts**

At December 31, 2023, the City had \$659,330 in bank accounts outside of the City Treasury related to employee wage deferrals and Mayor's Court operations. These amounts are included on the financial statements as "cash and cash equivalents in segregated accounts" and are included in deposits with financial institutions below.

#### **C. Cash with Fiscal Agent**

At December 31, 2023, the City had \$304 in bank accounts outside of the City Treasury related to interest revenue earned on debt service payments. These amounts are included on the financial statements as "cash and cash equivalents with fiscal agent" and represent uncollateralized deposits exposed to custodial credit risk, as discussed below.

#### **D. Deposits with Financial Institutions**

At December 31, 2023, the carrying amount of all City deposits was \$17,929,457 and the bank balance of all City deposits, including cash in segregated accounts, was \$19,159,343. Of the bank balance, \$750,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$10,874,945 was covered by the Ohio Pooled Collateral System (OPCS) and \$7,534,398 was exposed to custodial credit risk as discussed below.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment, whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. The City has no deposit policy for custodial credit risk beyond the requirements of the State statute. For 2023, one of the City’s financial institutions was approved for a reduced collateral rate of 50 percent through the OPCS. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**E. Investments**

As of December 31, 2023, the City had the following investment and maturity:

Measurement/ Investment Type	Measurement Amount	Investment Maturities 6 months or less
Amortized Cost:		
STAR Ohio	\$ 13,473,826	\$ 13,473,826

*Interest Rate Risk:* The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

The City’s investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

*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 investment 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 Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Credit Risk:* STAR Ohio carries a rating of AAAm by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Concentration of Credit Risk:* The City’s investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2023:

Measurement / Investment Type	Measurement Amount	% of Total
Amortized Cost:		
STAR Ohio	\$ 13,473,826	100%

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**F. Reconciliation of Cash to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of December 31, 2023:

<u>Cash and Investments per Footnote</u>	
Cash on hand	\$ 1,400
Cash in segregated accounts	659,330
Cash with fiscal agent	304
Carrying amount of deposits	17,929,457
Investments	<u>13,473,826</u>
Total	<u>\$ 32,064,317</u>
<u>Cash and Investments per Statement of Net Position</u>	
Governmental activities	\$ 28,929,155
Business-type activities	2,480,405
Fiduciary funds	<u>654,757</u>
Total	<u>\$ 32,064,317</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

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

<u>Transfers from general fund to:</u>	
Capital improvement fund	\$ 500,000
Nonmajor governmental funds	<u>720,300</u>
Total	<u>\$ 1,220,300</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds made in compliance with ORC Sections 5705.14-16, are eliminated for reporting on the government-wide statement of activities.

B. Due from/to other funds consisted of the following at December 31, 2023:

<u>Receivable fund:</u>	<u>Payable fund:</u>	
General fund	Nonmajor governmental funds	\$ 554,048

Amounts due from/to other funds represent advances from the general fund to the federal capital grants fund for right-of-way land purchases. These advances will be repaid as federal grant monies are reimbursed to the City. Amounts due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Fiscal Officer at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2023 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Fairlawn. The Summit County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2023 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2023 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2023 was \$2.70 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2023 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 199,467,550
Commercial/industrial/mineral	172,012,390
<u>Public utility</u>	
Personal	5,891,110
Total assessed value	<u><u>\$ 377,371,050</u></u>

**NOTE 7 - LOCAL INCOME TAX**

The City levies a municipal income tax of 2 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 business operations within the City. Residents of the City are granted a credit of up to 2 percent for taxes paid to other municipalities.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 7 - LOCAL INCOME TAX - (Continued)**

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The general fund receives 75 percent and the capital improvement fund receives 25 percent of income tax proceeds, net of collection expenditures.

In addition, the City receives income tax monies, reported as JEDD revenues, as the result of its participation in the Bath-Akron-Fairlawn JEDD. The JEDD levies an income tax of 2.5 percent on gross salaries, wages, and other personal service compensation earned by residents of the JEDD and on the earnings of nonresidents working within the JEDD. This tax also applies to the net income of business operations within the JEDD. Akron is responsible for the administration, collection, and enforcement of the income tax for the JEDD. The City is entitled to 46.67 percent of income tax proceeds from the JEDD, net of collection expenditures.

**NOTE 8 - RECEIVABLES**

- A. Receivables at December 31, 2023 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2023.

A summary of the principal items of receivables reported on the statement of net position follows:

	Governmental Activities	Business-type Activities
Income taxes	\$ 2,870,392	\$ -
Real and other taxes	1,104,448	-
Payments in lieu of taxes	1,693,644	-
Accounts	518,479	165,210
Special assessments	233,750	-
Accrued interest	6,640	
Due from other governments	1,881,255	513
Total	\$ 8,308,608	\$ 165,723

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessments.

**B. Lease Receivable**

The City has entered into a site lease agreement for a cell tower which commenced on June 23, 1997. A fifth amendment was made to the lease on December 22, 2017, which has an expiration date of June 22, 2037, but can be extended through June 22, 2067. Payments are made monthly and are reported in the general fund.



**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 8 - RECEIVABLES - (Continued)**

The City is reporting leases receivable of \$323,773 in the general fund at December 31, 2023. For 2023, the City recognized interest revenue of \$13,149.

The following is a schedule of the future lease payments under the agreement:

Year	Principal	Interest	Total
2024	\$ -	\$ 10,038	\$ 10,038
2025	-	10,038	10,038
2026	-	10,038	10,038
2027	-	10,916	10,916
2028	-	11,544	11,544
2029-2033	-	60,459	60,459
2034-2038	-	69,528	69,528
2039-2043	-	79,957	79,957
2044-2048	95	91,856	91,951
2049-2053	44,956	60,787	105,743
2054-2058	72,364	49,240	121,604
2059-2063	108,451	31,395	139,846
2064-2068	97,907	7,005	104,912
Total	\$ 323,773	\$ 502,801	\$ 826,574

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 9 - CAPITAL ASSETS**

Capital assets of the governmental activities for the year ended December 31, 2023 were as follows:

	Balance 12/31/2022	Additions	Disposals	Balance 12/31/2023
<b><u>Governmental Activities:</u></b>				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 6,132,383	\$ -	\$ -	\$ 6,132,383
Construction in progress	43,645	960,115	(43,645)	960,115
Total capital assets, not being depreciated/amortized	<u>6,176,028</u>	<u>960,115</u>	<u>(43,645)</u>	<u>7,092,498</u>
<i>Capital assets, being depreciated/amortized:</i>				
Buildings and improvements	14,453,206	-	(18,195)	14,435,011
Land improvements	3,517,845	90,135	-	3,607,980
Licensed vehicles	4,399,264	822,184	(233,197)	4,988,251
Machinery and equipment	4,690,773	146,679	(664,822)	4,172,630
Infrastructure	91,475,998	132,103	-	91,608,101
Intangible right to use assets:				
Equipment	52,837	-	-	52,837
Software	-	121,149	-	121,149
Total capital assets, being depreciated/amortized	<u>118,589,923</u>	<u>1,312,250</u>	<u>(916,214)</u>	<u>118,985,959</u>
<i>Less: accumulated depreciation/amortization</i>				
Buildings and improvements	(6,615,745)	(291,641)	17,296	(6,890,090)
Land improvements	(1,863,779)	(94,798)	-	(1,958,577)
Licensed vehicles	(2,819,309)	(234,754)	225,198	(2,828,865)
Machinery and equipment	(3,358,983)	(193,503)	652,682	(2,899,804)
Infrastructure	(47,634,377)	(1,600,505)	-	(49,234,882)
Intangible right to use assets:				
Equipment	(6,304)	(12,924)	-	(19,228)
Software	-	(42,087)	-	(42,087)
Total accumulated depreciation/amortization	<u>(62,298,497)</u>	<u>(2,470,212)</u>	<u>895,176</u>	<u>(63,873,533)</u>
Total capital assets, being depreciated/amortized, net	<u>56,291,426</u>	<u>(1,157,962)</u>	<u>(21,038)</u>	<u>55,112,426</u>
Governmental activities capital assets, net	<u>\$ 62,467,454</u>	<u>\$ (197,847)</u>	<u>\$ (64,683)</u>	<u>\$ 62,204,924</u>

Depreciation/amortization expense was charged to governmental activities as follows:

<b><u>Governmental Activities:</u></b>	
General government	\$ 103,745
Security of persons and property	353,953
Transportation	1,289,584
Community environment	1,354
Leisure time activity	79,211
Utility services	642,365
Total depreciation/amortization expense	<u>\$ 2,470,212</u>

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Capital assets of the business-type activities for the year ended December 31, 2023 were as follows:

	Balance 12/31/2022	Additions	Disposals	Balance 12/31/2023
<b><u>Business-Type Activities:</u></b>				
Non-Depreciable Capital Assets:				
Construction in Progress	\$ 55,191	\$ -	\$ (55,191)	\$ -
Total Non-Depreciable Capital Assets	<u>55,191</u>	<u>-</u>	<u>(55,191)</u>	<u>-</u>
<i>Capital assets, being depreciated/amortized:</i>				
Licensed vehicles	\$ 44,539	\$ -	\$ -	\$ 44,539
Machinery and equipment	3,427,873	63,502	-	3,491,375
Infrastructure	12,128,403	166,401	-	12,294,804
Intangible right to use assets:				
Buildings	661,287	-	-	661,287
Equipment	56,803	-	(24,424)	32,379
Software	-	85,269	-	85,269
Infrastructure	65,252	-	(65,252)	-
Total capital assets, being depreciated/amortized	<u>16,384,157</u>	<u>315,172</u>	<u>(89,676)</u>	<u>16,609,653</u>
<i>Less: accumulated depreciation/amortization:</i>				
Licensed vehicles	(9,380)	(4,354)	-	(13,734)
Machinery and equipment	(968,930)	(238,976)	-	(1,207,906)
Infrastructure	(1,708,658)	(490,158)	-	(2,198,816)
Intangible right to use assets:				
Buildings	(89,162)	(89,162)	-	(178,324)
Equipment	(24,912)	(16,824)	24,424	(17,312)
Software	-	(28,423)	-	(28,423)
Infrastructure	(34,044)	(31,208)	65,252	-
Total accumulated depreciation/amortization	<u>(2,835,086)</u>	<u>(899,105)</u>	<u>89,676</u>	<u>(3,644,515)</u>
Total capital assets, being depreciated/amortized, net	<u>13,549,071</u>	<u>(583,933)</u>	<u>-</u>	<u>12,965,138</u>
Business-type capital assets, net	<u>\$ 13,604,262</u>	<u>\$ (583,933)</u>	<u>\$ (55,191)</u>	<u>\$ 12,965,138</u>

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 10 - LONG-TERM OBLIGATIONS**

**A. Description of Long-Term Obligations**

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

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<u>Note payable</u>			
2017 Real property note	2027	5.00%	640,000
<u>Lease-purchase obligation</u>			
2016 FairlawnGig project	2046	1.00 - 4.00%	10,175,000

**B. Changes in Long-Term Obligations**

During 2023, the following changes occurred in governmental activities long-term obligations:

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2023</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<u>Long term note</u>					
2017 Real property note	358,839	-	(64,940)	293,899	68,188
<u>Net pension liability</u>					
OPERS	1,981,629	4,654,730	-	6,636,359	-
OP&F	8,282,119	4,251,425	-	12,533,544	-
Total net pension liability	10,263,748	8,906,155	-	19,169,903	-
<u>Net OPEB liability</u>					
OPERS	-	132,331	-	132,331	-
OP&F	1,453,066	-	(513,652)	939,414	-
Total net OPEB liability	1,453,066	132,331	(513,652)	1,071,745	-
<u>Other long-term obligations</u>					
Lease-purchase	8,850,000	-	(240,000)	8,610,000	245,000
Add: Unamortized premium	506,079	-	(21,087)	484,992	-
Leases payable	46,591	-	(12,854)	33,737	12,875
SBITA payable	-	120,852	(42,148)	78,704	38,650
Compensated absences	1,983,981	720,122	(646,247)	2,057,856	700,975
Total other long-term obligations	11,386,651	840,974	(962,336)	11,265,289	997,500
Total governmental activities	<u>\$ 23,462,304</u>	<u>\$ 9,879,460</u>	<u>\$ (1,540,928)</u>	<u>\$ 31,800,836</u>	<u>\$ 1,065,688</u>

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

During 2023, the following changes occurred in business-type activities long-term obligations:

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
<u>Net pension liability</u>					
OPERS	\$ 175,549	\$ 327,330	\$ -	\$ 502,879	\$ -
<u>Net OPEB liability</u>					
OPERS	-	10,028	-	10,028	-
<u>Other long-term obligations</u>					
Leases payable	637,313	-	(131,550)	505,763	96,135
SBITA payable	-	57,839	(19,673)	38,166	18,311
Compensated absences	42,172	19,846	(15,426)	46,592	17,977
Total business-type activities	<u>\$ 855,034</u>	<u>\$ 415,043</u>	<u>\$ (166,649)</u>	<u>\$ 1,103,428</u>	<u>\$ 132,423</u>

The general obligation bonds and capital lease will be paid from income taxes receipted into the capital improvement fund. Compensated absences reported in the “long-term liabilities” accounts for the governmental activities and business-type activities will be paid from the funds from which the employees’ salaries are paid, the general fund and broadband fund, respectively.

On October 29, 2017, the City entered into an agreement with the Presentation of Our Lord Romanian Orthodox Church to purchase approximately 14 acres of real property for a purchase price of \$800,000, with a 20% down payment. The remaining balance of \$640,000 is payable over 10 years from the capital improvement fund.

During 2016, the City entered into a lease-purchase agreement with the Development Finance Authority of Summit County for the acquisition, construction, improvement and equipping of a municipal broadband utility to provide wireless and fiber optic high speed broadband internet services to the City. A \$10,175,000 liability was recorded in the governmental activities, as the capital improvement fund will be making the principal and interest payments. Capital assets consisting of machinery and equipment and infrastructure have been capitalized in the broadband fund, an enterprise fund of the City, in the same amount.

The City has entered into various lease agreements for the right to use buildings, equipment, and infrastructure. The City has reported intangible - right to use capital assets and corresponding liabilities for the future scheduled payments under the leases. The governmental activities lease payments will be paid from the general fund, while the business-type activities payments will be paid from the broadband fund. Lease payments are reflected as debt service expenditures in the financial statements and as functional expenditures in the budgetary statements.

The City has entered into various agreements for the right to use subscription-based information technology software. The City has reported intangible - right to use capital assets and corresponding liabilities for the future scheduled payments under the agreements. The governmental activities payments will be paid from the general fund, while the business-type activities payments will be paid from the broadband fund. SBITA payments are reflected as debt service expenditures in the financial statements and as functional expenditures in the budgetary statements.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Debt Service Requirements**

The following is a schedule of principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2023:

Year	Governmental Activities			Governmental Activities		
	Long-Term Note			Lease-Purchase		
	Principal	Interest	Total	Principal	Interest	Total
2024	68,188	14,695	82,883	245,000	332,950	\$ 577,950
2025	71,597	11,286	82,883	255,000	325,600	580,600
2026	75,177	7,706	82,883	260,000	320,500	580,500
2027	78,937	3,946	82,883	265,000	314,000	579,000
2028	-	-	-	275,000	303,400	578,400
2029-2033	-	-	-	1,545,000	1,343,400	2,888,400
2034-2038	-	-	-	1,875,000	1,009,000	2,884,000
2039-2043	-	-	-	2,285,000	602,600	2,887,600
2044-2046	-	-	-	1,605,000	130,000	1,735,000
<b>Total</b>	<b>\$ 293,899</b>	<b>\$ 37,633</b>	<b>\$ 331,532</b>	<b>\$ 8,610,000</b>	<b>\$ 4,681,450</b>	<b>\$ 13,291,450</b>

Year	Governmental Activities			Governmental Activities		
	Leases Payable			SBITA Payable		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 12,875	\$ 663	\$ 13,538	38,650	1,749	40,399
2025	9,003	364	9,367	39,728	858	40,586
2026	6,131	181	6,312	326	1	327
2027	5,728	57	5,785	-	-	-
<b>Total</b>	<b>\$ 33,737</b>	<b>\$ 1,265</b>	<b>\$ 35,002</b>	<b>\$ 78,704</b>	<b>\$ 2,608</b>	<b>\$ 81,312</b>

Year	Business-Type Activities			Business-Type Activities		
	Leases Payable			SBITA Payable		
	Principal	Interest	Total	Principal	Interest	Total
2024	96,135	8,190	104,325	18,311	1,952	20,263
2025	94,780	6,408	101,188	19,855	1,016	20,871
2026	90,212	4,788	95,000	-	-	-
2027	91,803	3,197	95,000	-	-	-
2028	93,422	1,578	95,000	-	-	-
2029	39,411	173	39,584	-	-	-
<b>Total</b>	<b>\$ 505,763</b>	<b>\$ 24,334</b>	<b>\$ 530,097</b>	<b>\$ 38,166</b>	<b>\$ 2,968</b>	<b>\$ 41,134</b>

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

##### D. Conduit Debt Obligations

From time to time, the City has issued Health Care Facilities Revenue Bonds to provide financial assistance to a private, non-profit sector entity for the acquisition and construction of health care facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State of Ohio, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2023, there was one series of Health Care Facilities Revenue Bonds with an aggregate outstanding principal amount payable of \$2,050,000 and an original issue amount of \$10,000,000.

#### NOTE 11 - OTHER EMPLOYEE BENEFITS

##### A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Vacation accumulation is typically limited to one year. Employees may carry over vacation earned for three years prior to their retirement date. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 1.25 days per month of service. Upon retirement, employees hired before January 1, 2009 are eligible to receive payment for accumulated unused sick days. The exact terms vary in accordance with the negotiated collective bargaining agreement in effect. In most cases, the sick leave termination payment is limited to a maximum of 75 days. Employees with a hire date subsequent to December 31, 2008 are not eligible to receive termination payments for sick leave, unless they are retiring from the City on a disability retirement approved by OPERS or OP&F.

As of December 31, 2023, the total liability for unpaid compensated absences was \$2,057,856 in the governmental activities and \$46,592 in the business-type activities.

##### B. Health Care Benefits

The City provides life insurance and accidental death and dismemberment insurance to full-time employees through Standard Insurance. The City has elected to provide employees with medical and vision benefits through Medical Mutual and dental benefits through Standard Insurance. Employees share the cost of the monthly medical, vision, and dental premiums.

#### NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2023, the City contracted with Selective Insurance Company for general liability, automobile, buildings and contents, boiler and machinery, employee dishonesty, faithful performance of duty, firefighters, and EMT errors and omissions coverage for the policy period covering September 1, 2023 through August 31, 2024. The City carries a \$3,000,000 general liability aggregate limit, a \$1,000,000 automobile liability limit, and a \$10,000,000 umbrella liability limit extending coverage on the general, automobile, police professional liability and public official's liability.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Hudson Insurance Company insures law enforcement and public officials liability for the policy period covering July 19, 2023 through July 18, 2024. The City carries a \$1,000,000 limit for each.

Western Surety Company provides dishonesty bonds for all necessary officials with a \$50,000 faithful performance of duty limit.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Asset and Net OPEB Liability***

The net pension liability/asset and the net OPEB liability reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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

The net pension liability/asset and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability/asset 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.

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

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.



**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 14 for the OPEB disclosures.

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group.

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

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3.00%. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20.00% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$529,703 for 2023. Of this amount, \$43,202 is reported as due to other governments.

***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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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

	Police	Firefighters
<b>2023 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2023 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	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 \$848,623 for 2023. Of this amount, \$86,972 is reported as due to other governments.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.024794%	0.002902%	0.132569%	
Proportion of the net pension liability/asset current measurement date	<u>0.024168%</u>	<u>0.001674%</u>	<u>0.131946%</u>	
Change in proportionate share	<u>-0.000626%</u>	<u>-0.001228%</u>	<u>-0.000623%</u>	
Proportionate share of the net pension liability	\$ 7,139,238	\$ -	\$ 12,533,544	\$ 19,672,782
Proportionate share of the net pension asset	-	(131)	-	(131)
Pension expense	1,004,208	(13)	1,486,116	2,490,311

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	OPERS - Traditional	Member- Directed	OP&F	Total
<b>Deferred outflows of resources</b>				
Differences between expected and actual experience	\$ 237,136	\$ 367	\$ 187,998	\$ 425,501
Net difference between projected and actual earnings on pension plan investments	2,034,909	62	1,824,730	3,859,701
Changes of assumptions	75,421	7	1,130,482	1,205,910
Changes in employer's proportionate percentage/ difference between employer contributions	5,708	-	30,266	35,974
Contributions subsequent to the measurement date	528,852	851	848,623	1,378,326
Total deferred outflows of resources	<u>\$ 2,882,026</u>	<u>\$ 1,287</u>	<u>\$ 4,022,099</u>	<u>\$ 6,905,412</u>
<b>Deferred inflows of resources</b>				
Differences between expected and actual experience	\$ -	\$ -	\$ 285,551	\$ 285,551
Changes of assumptions	-	-	244,401	244,401
Changes in employer's proportionate percentage/ difference between employer contributions	78,239	-	577,311	655,550
Total deferred inflows of resources	<u>\$ 78,239</u>	<u>\$ -</u>	<u>\$ 1,107,263</u>	<u>\$ 1,185,502</u>

\$1,378,236 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net pension liability/asset in the year ending December 31, 2024.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (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 - Traditional	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:				
2024	\$ 225,153	\$ 62	\$ 104,939	\$ 330,154
2025	453,969	64	473,542	927,575
2026	598,972	67	565,051	1,164,090
2027	996,841	75	954,484	1,951,400
2028	-	41	(31,803)	(31,762)
Thereafter	-	127	-	127
Total	\$ 2,274,935	\$ 436	\$ 2,066,213	\$ 4,341,584

***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 was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2022, compared to the December 31, 2021 actuarial valuation, are presented below.

Wage inflation	
Current measurement date	2.75%
Prior measurement date	2.75%
Future salary increases, including inflation	
Current measurement date	2.75% to 10.75% including wage inflation
Prior measurement date	2.75% to 10.75% including wage inflation
COLA or ad hoc COLA	
Current measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2023, then 2.05% simple
Prior measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2022, then 2.05% simple
Investment rate of return	
Current measurement date	6.90%
Prior measurement date	6.90%
Actuarial cost method	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.

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



**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 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/asset was 6.90%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2022 was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate** - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 6.90%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 10,694,340	\$ 7,139,238	\$ 4,182,031
Member-Directed Plan	(84)	(131)	(167)

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Experience study assumptions were performed by OP&F's prior actuary and completed as of December 31, 2016. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful lives of the participants which was 5.81 years at December 31, 2022.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2022, compared to December 31, 2021, are presented below.

Valuation date	1/1/22 with actuarial liabilities rolled forward to 12/31/22
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

*Service Retiree and Vested Former Member Mortality*

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.

*Disabled Mortality*

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.

*Contingent Annuitant Mortality*

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. All rates are projected using the MP-2021 Improvement Scale.

*Pre-Retirement Mortality*

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Domestic equity	18.60 %	4.80 %
Non-US equity	12.40	5.50
Private markets	10.00	7.90
Core fixed income *	25.00	2.50
High yield fixed income	7.00	4.40
Private credit	5.00	5.90
U.S. inflation linked bonds *	15.00	2.00
Midstream energy infrastructure	5.00	5.90
Real assets	8.00	5.90
Gold	5.00	3.60
Private real estate	12.00	5.30
Commodities	2.00	3.60
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

\* levered 2x

\*\* Numbers are 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 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 core fixed income and U.S. inflation linked bonds and the implementation approach for gold.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. A discount rate of 7.50% was used in the previous measurement date. 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 earnings were calculated using the longer-term assumed investment rate of return 7.50%. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 16,534,162	\$ 12,533,544	\$ 9,207,829

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

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

**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.

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

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

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50.00% of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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

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

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### **NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a 2.00% allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2023 was 4.00%; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$340 for 2023. Of this amount, \$28 is reported as due to other governments.

#### ***Plan Description - Ohio Police & Fire Pension Fund (OP&F)***

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

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

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

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### **NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$18,893 for 2023. Of this amount, \$2,090 is reported as due to other governments.

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

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.023192%	0.132569%	
Proportion of the net OPEB liability current measurement date	<u>0.022578%</u>	<u>0.131946%</u>	
Change in proportionate share	<u>-0.000614%</u>	<u>-0.000623%</u>	
Proportionate share of the net OPEB liability	\$ 142,359	\$ 939,414	\$ 1,081,773
OPEB expense	(249,089)	133,999	(115,090)

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 56,059	\$ 56,059
Net difference between projected and actual earnings on OPEB plan investments	282,726	80,575	363,301
Changes of assumptions	139,045	468,152	607,197
Changes in employer's proportionate percentage/difference between employer contributions	765	155,017	155,782
Contributions subsequent to the measurement date	340	18,893	19,233
Total deferred outflows of resources	<u>\$ 422,876</u>	<u>\$ 778,696</u>	<u>\$ 1,201,572</u>



**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 35,510	\$ 185,234	\$ 220,744
Changes of assumptions	11,441	768,363	779,804
Changes in employer's proportionate percentage/ difference between employer contributions	7,190	83,396	90,586
Total deferred inflows of resources	<u>\$ 54,141</u>	<u>\$ 1,036,993</u>	<u>\$ 1,091,134</u>

\$19,233 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/increase to the net OPEB liability in the year ending December 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2024	\$ 41,867	\$ 43,213	\$ 85,080
2025	101,786	36,931	138,717
2026	88,164	(51,400)	36,764
2027	136,578	(29,785)	106,793
2028	-	(83,750)	(83,750)
Thereafter	-	(192,399)	(192,399)
Total	<u>\$ 368,395</u>	<u>\$ (277,190)</u>	<u>\$ 91,205</u>

***Actuarial Assumptions - OPERS***

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

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (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%
Prior Measurement date	2.75%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75%
	including wage inflation
Prior Measurement date	2.75 to 10.75%
	including wage inflation
Single Discount Rate:	
Current measurement date	5.22%
Prior Measurement date	6.00%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	4.05%
Prior Measurement date	1.84%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2036
Prior Measurement date	5.50% initial, 3.50% ultimate in 2034
Actuarial Cost Method	Individual Entry Age Normal

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% for 2022.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability/(asset)	\$ 484,524	\$ 142,359	\$ (139,984)

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate -*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 133,436	\$ 142,359	\$ 152,402

***Actuarial Assumptions - OP&F***

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

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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 (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	4.27%
Prior measurement date	2.84%
Cost of Living Adjustments	2.20% simple per year

*Service Retiree and Vested Former Member Mortality*

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.

*Disabled Mortality*

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.

*Contingent Annuitant Mortality*

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. All rates are projected using the MP-2021 Improvement Scale.

*Pre-Retirement Mortality*

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

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

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return **</u>
Domestic equity	18.60 %	4.80 %
Non-US equity	12.40	5.50
Private markets	10.00	7.90
Core fixed income *	25.00	2.50
High yield fixed income	7.00	4.40
Private credit	5.00	5.90
U.S. inflation linked bonds *	15.00	2.00
Midstream energy infrastructure	5.00	5.90
Real assets	8.00	5.90
Gold	5.00	3.60
Private real estate	12.00	5.30
Commodities	2.00	3.60
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

\* levered 2x

\*\* Numbers are 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 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 core fixed income and U.S. inflation linked bonds and the implementation approach for gold.

**Discount Rate** - For 2022, the total OPEB liability was calculated using the discount rate of 4.27%. For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. The projection of cash flows used to determine the discount rate assumed the contributions at a rate to 0.50% of payroll. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50% was applied to periods before December 31, 2035 and the Municipal Bond Index Rate of 3.65% was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27%.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,156,800	\$ 939,414	\$ 755,884

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
Budget basis	\$ (1,245,656)
Net adjustment for revenue accruals	39,408
Net adjustment for expenditure accruals	88,364
Adjustment for encumbrances	1,547,098
	<u>1,547,098</u>
GAAP basis	<u>\$ 429,214</u>

**NOTE 16 - FUND BALANCE**

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

<u>Fund balance</u>	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Materials and supplies inventory	\$ 651,246	\$ -	\$ -	\$ 651,246
Prepayments	288,583	19,595	-	308,178
Unclaimed monies	7,896	-	-	7,896
Total nonspendable	<u>947,725</u>	<u>19,595</u>	<u>-</u>	<u>967,320</u>
Restricted:				
Capital improvements	-	5,698,734	-	5,698,734
Law enforcement	-	-	112,310	112,310
Police and fire pensions	-	-	472,747	472,747
Sewer maintenance	-	-	585,691	585,691
Streets and highways	-	-	1,155,557	1,155,557
Other purposes	-	-	319,519	319,519
Total restricted	<u>-</u>	<u>5,698,734</u>	<u>2,645,824</u>	<u>8,344,558</u>
Committed:				
Law enforcement	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Assigned:				
Encumbrances	1,132,623	-	-	1,132,623
Subsequent year appropriations	3,625,165	-	-	3,625,165
Total assigned	<u>4,757,788</u>	<u>-</u>	<u>-</u>	<u>4,757,788</u>
Unassigned (deficit)	<u>15,946,590</u>	<u>-</u>	<u>(231,850)</u>	<u>15,714,740</u>
Total fund balances	<u>\$ 21,657,103</u>	<u>\$ 5,718,329</u>	<u>\$ 2,413,974</u>	<u>\$ 29,789,406</u>



**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 17 - CONTINGENCIES**

**A. Federal and State Grants**

The City receives financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2023.

**B. Litigation**

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

**NOTE 18 - CONTRACTUAL AND OTHER COMMITMENTS**

**Encumbrances**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Governmental funds</u>	
General fund	\$ 1,132,623
Capital improvement	997,838
Nonmajor governmental funds	<u>444,027</u>
Total	<u>\$ 2,574,488</u>

**NOTE 19 - TAX INCREMENT FINANCING DISTRICTS**

Pursuant to the Ohio Revised Code and City ordinances, the City has established three Tax Increment Financing Districts (TIFs). A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as a "payment in lieu of taxes" or PILOTS, as though the TIF had not been established. These PILOTS are then used to help pay the costs of various public improvements within or adjacent to the TIF area. Additionally, a portion of the PILOTS may be distributed to the school district within the territory of which the exempted property is located or another party based on the terms of various sharing agreements. Property values existing before the commencement date of a TIF continue to be subjected to property taxes. TIFs generally continue until the costs of the improvements have been paid or the agreement expires, whichever occurs first.

**NOTE 20 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO**

The Community Improvement Corporation of Fairlawn, Ohio (the "CIC") was formed pursuant to City of Fairlawn Ordinance 2010-030, passed June 21, 2010, and incorporated as a corporation not-for-profit under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of the City of Fairlawn (the "City"). The CIC has been designated as the City's agent for industrial, commercial, distribution, and research development.

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 20 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO - (Continued)

The Board of Trustees is to be comprised of no less than five members, and at all times no less than two-fifths of the members shall be elected or appointed officials of the City. The following three elected or appointed officials of the City (“City Representatives”) constitute three of the members of the Board of Trustees: President of Council, Mayor, and Director of Finance. The City Representatives hold office for as long as they hold their position at the City. In addition to the three City Representatives, two or more additional members may be appointed by a majority vote of the Board of Trustees (“Community Representatives”). The Community Representatives serve two-year terms.

#### **Summary of Significant Accounting Policies**

The basic financial statements of the CIC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the CIC’s accounting policies are described below.

##### **A. Basis of Accounting**

The basic financial statements of the CIC are prepared using the accrual basis of accounting in conformity with GAAP.

##### **B. Basis of Presentation**

The CIC’s basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

The CIC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the CIC’s principal ongoing operation. The principal operating revenues of the CIC are contributions and donations. Operating expenses for the CIC primarily include contract services and other operating expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The CIC did not have any nonoperating revenues or expenses in 2023.

##### **C. Federal Income Tax**

The CIC is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

##### **D. Cash and Cash Equivalents**

For purposes of the statement of cash flows, all cash in the CIC’s checking account is considered to be cash and cash equivalents. All monies received by the CIC are deposited in a demand deposit account.

##### **E. Assets Held for Sale**

Assets held for sale represent real property acquired by the CIC, which will be sold for development purposes. These items are reported at the lower of cost or market.

## CITY OF FAIRLAWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE 20 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO - (Continued)

##### F. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset is recorded for the prepaid amount at the time of the purchase and the expense is reported in the year in which the services are consumed.

##### G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the CIC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The CIC has no net position restrictions.

##### H. Estimates

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

##### I. Change in Accounting Principles

For 2023, the CIC has implemented GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the CIC.

GASB Statement No. 96 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the CIC.

##### J. Deposits

At December 31, 2023, the carrying amount of the CIC's deposits was \$5,870 and the bank balance of the CIC's deposits was \$5,870. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," the CIC's entire bank balance of \$5,870 was covered by the Federal Deposit Insurance Corporation.

**CITY OF FAIRLAWN, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**NOTE 20 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the CIC will not be able to recover deposits or collateral securities that are in the possession of an outside party. There are no significant statutory restrictions regarding the deposits and investments of funds held by the not-for-profit corporation.

**K. Rent Receivable**

On February 10, 2020, the CIC entered into a lease-purchase agreement to sell approximately 4.48 acres of real property, valued at \$670,500, to EDK Holdings. Ownership of the property transfers to EDK Holdings at the conclusion of the 10-year term. The agreement qualifies as a financed purchase for accounting purposes. A receivable has been recorded at the present value of the future minimum payments as of the inception date.

The future minimum payments as of December 31, 2023, were as follows:

Year	Future Minimum Payments
2024	\$ 67,050
2025	67,050
2026	67,050
2027	67,050
2028	67,050
2028-2032	335,250
Total	\$ 670,500

**L. Loan Receivable**

On March 21, 2019, the CIC entered into a \$300,000 property redevelopment loan agreement with Fairlawn Associates Ltd, as grantee, for the redevelopment of office space within the City of Fairlawn. As specified in the agreement, the loan shall be forgiven in full at such time as the grantee’s new tenant provides the City of Fairlawn with at least \$600,000 in payroll withholding taxes during the 10-year term ending December 31, 2029. If not forgiven, the loan will be due in full at the end of the 10-year term.

**M. Assets Held for Sale**

Assets held for sale activity for the year ended December 31, 2023 was as follows:

	Balance 12/31/22	Additions	Disposals	Balance 12/31/23
Assets held for sale	\$ 21,915	\$ -	\$ -	\$ 21,915

**N. Contributions to/from the City of Fairlawn**

Cash

The CIC did not receive any cash contributions from the City in 2023 and did not remit any cash to the City during the year.

**CITY OF FAIRLAWN, OHIO**

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

**NOTE 20 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO - (Continued)**

Property

Donations of property received by the CIC are recorded as contributions at their estimated fair market value at the date of donation and are reported as increases to assets held for sale. The CIC did not receive any donated property from the City during the year.

Donations of property to the City are reported as decreases to assets held for sale at the date of donation. The CIC did not donate any property to the City during the year.

Services

Pursuant to City of Fairlawn Resolution 2012-046 passed June 4, 2012, an agreement was executed June 5, 2012, between the City and the CIC, whereby the City will provide technical and administrative services and assistance at no cost to the CIC. No amounts have been reflected in the financial statements for these services, because the CIC has not estimated their value.

**O. Risk Management**

The CIC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For 2023, the CIC had general liability insurance through Auto-Owners Insurance Company and directors and officer's liability insurance through Travelers Casualty and Surety Company.

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**P. Litigation**

The CIC is involved in no material litigation as either plaintiff or defendant.

**Q. Subsequent Events**

On March 6, 2023, Fairlawn City Council authorized the donation of a 2.7449-acre parcel of real property to the CIC. The City subsequently transferred the parcel to the CIC on April 19, 2024. The parcel was then sold to RALACA, LLC by the CIC on September 4, 2024 for \$274,999.

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

	LAST TEN YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.024168%	0.024794%	0.024983%	0.024704%
City's proportionate share of the net pension liability	\$ 7,139,238	\$ 2,157,178	\$ 3,699,438	\$ 4,882,913
City's covered payroll	\$ 3,748,514	\$ 3,625,586	\$ 3,987,864	\$ 3,458,943
City's proportionate share of the net pension liability as a percentage of its covered payroll	190.46%	59.50%	92.77%	141.17%
Plan fiduciary net position as a percentage of the total pension liability	75.74%	92.62%	86.88%	82.17%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.000000%	0.000000%	0.000000%	0.000000%
City's proportionate share of the net pension asset	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension asset	137.14%	169.88%	157.67%	145.28%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.001674%	0.002902%	0.002787%	0.003125%
City's proportionate share of the net pension asset	\$ 131	\$ 527	\$ 508	\$ 118
City's covered payroll	\$ 11,510	\$ 18,190	\$ 16,740	\$ 18,580
City's proportionate share of the net pension asset as a percentage of its covered payroll	1.14%	2.90%	3.03%	0.64%
Plan fiduciary net position as a percentage of the total pension asset	126.74%	171.84%	188.21%	118.84%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.024336%	0.025511%	0.024803%	0.024912%	0.023637%	0.023637%
\$ 6,665,137	\$ 4,002,181	\$ 5,632,340	\$ 4,315,072	\$ 2,850,886	\$ 2,786,494
\$ 3,286,950	\$ 3,239,638	\$ 3,229,808	\$ 3,105,650	\$ 2,906,808	\$ 2,887,162
202.78%	123.54%	174.39%	138.94%	98.08%	96.51%
74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
0.000000%	0.000000%	0.000000%	0.014030%	0.016754%	0.016754%
\$ -	\$ -	\$ -	\$ 6,827	\$ 6,451	\$ 1,758
\$ -	\$ -	\$ -	\$ 59,025	\$ 61,242	\$ 51,038
0.00%	0.00%	0.00%	11.57%	10.53%	3.44%
126.64%	137.28%	116.55%	116.90%	114.83%	104.56%
0.003422%	0.003422%	0.003573%	0.003709%	n/a	n/a
\$ 78	\$ 119	\$ 15	\$ 14	n/a	n/a
\$ 19,560	\$ 18,760	\$ 14,683	\$ 20,658	n/a	n/a
0.40%	0.63%	0.10%	0.07%	n/a	n/a
113.42%	124.46%	103.40%	103.91%	n/a	n/a

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.13194550%	0.13256860%	0.13730840%	0.13943850%
City's proportionate share of the net pension liability	\$ 12,533,544	\$ 8,282,119	\$ 9,360,437	\$ 9,393,322
City's covered payroll	\$ 3,689,727	\$ 3,448,819	\$ 3,907,857	\$ 3,358,505
City's proportionate share of the net pension liability as a percentage of its covered payroll	339.69%	240.14%	239.53%	279.69%
Plan fiduciary net position as a percentage of the total pension liability	62.90%	75.03%	70.65%	69.89%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.14540400%	0.14739800%	0.13322700%	0.13672800%	0.13517390%	0.13517390%
\$ 11,868,809	\$ 9,046,466	\$ 8,438,464	\$ 8,795,761	\$ 7,002,572	\$ 6,583,393
\$ 3,336,222	\$ 3,139,305	\$ 2,913,374	\$ 2,827,364	\$ 2,735,974	\$ 2,649,515
355.76%	288.17%	289.65%	311.09%	255.94%	248.48%
63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 528,852	\$ 524,792	\$ 507,582	\$ 558,301
Contributions in relation to the contractually required contribution	<u>(528,852)</u>	<u>(524,792)</u>	<u>(507,582)</u>	<u>(558,301)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,777,514	\$ 3,748,514	\$ 3,625,586	\$ 3,987,864
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	12.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 851	\$ 1,151	\$ 1,819	\$ 1,674
Contributions in relation to the contractually required contribution	<u>(851)</u>	<u>(1,151)</u>	<u>(1,819)</u>	<u>(1,674)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 8,510	\$ 11,510	\$ 18,190	\$ 16,740
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

Note: Information prior to 2015 for the City's member directed plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 484,252	\$ 460,173	\$ 421,153	\$ 387,577	\$ 372,678	\$ 348,817
<u>(484,252)</u>	<u>(460,173)</u>	<u>(421,153)</u>	<u>(387,577)</u>	<u>(372,678)</u>	<u>(348,817)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,458,943	\$ 3,286,950	\$ 3,239,638	\$ 3,229,808	\$ 3,105,650	\$ 2,906,808
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
\$ -	\$ -	\$ -	\$ -	\$ 7,083	\$ 7,349
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,083)</u>	<u>(7,349)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 59,025	\$ 61,242
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
\$ 1,858	\$ 1,956	\$ 1,876	\$ 1,762	\$ 2,479	n/a
<u>(1,858)</u>	<u>(1,956)</u>	<u>(1,876)</u>	<u>(1,762)</u>	<u>(2,479)</u>	<u>n/a</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>n/a</u>
\$ 18,580	\$ 19,560	\$ 18,760	\$ 14,683	\$ 20,658	n/a
10.00%	10.00%	10.00%	12.00%	12.00%	n/a

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Police:</i>				
Contractually required contribution	\$ 465,933	\$ 439,364	\$ 400,087	\$ 454,815
Contributions in relation to the contractually required contribution	<u>(465,933)</u>	<u>(439,364)</u>	<u>(400,087)</u>	<u>(454,815)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,452,279	\$ 2,312,442	\$ 2,105,721	\$ 2,393,763
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 382,690	\$ 323,662	\$ 315,628	\$ 355,812
Contributions in relation to the contractually required contribution	<u>(382,690)</u>	<u>(323,662)</u>	<u>(315,628)</u>	<u>(355,812)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,628,468	\$ 1,377,285	\$ 1,343,098	\$ 1,514,094
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 380,914	\$ 372,853	\$ 345,693	\$ 327,066	\$ 317,509	\$ 314,593
<u>(380,914)</u>	<u>(372,853)</u>	<u>(345,693)</u>	<u>(327,066)</u>	<u>(317,509)</u>	<u>(314,593)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,004,811	\$ 1,962,384	\$ 1,721,400	\$ 1,671,100	\$ 1,655,753	\$ 1,624,376
19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
\$ 318,118	\$ 322,852	\$ 310,169	\$ 280,114	\$ 271,722	\$ 253,852
<u>(318,118)</u>	<u>(322,852)</u>	<u>(310,169)</u>	<u>(280,114)</u>	<u>(271,722)</u>	<u>(253,852)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,353,694	\$ 1,373,838	\$ 1,319,868	\$ 1,191,974	\$ 1,156,264	\$ 1,080,221
23.50%	23.50%	23.50%	23.50%	23.50%	23.50%

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/NET OPEB ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SEVEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net OPEB liability/asset	0.022578%	0.023192%	0.023377%	0.023130%
City's proportionate share of the net OPEB liability/(asset)	\$ 142,359	\$ (726,409)	\$ (416,480)	\$ 3,194,854
City's covered payroll	\$ 3,760,024	\$ 3,643,776	\$ 4,004,604	\$ 3,477,523
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	3.79%	19.94%	10.40%	91.87%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	94.79%	128.23%	115.57%	47.80%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.022796%	0.023930%	0.023253%
\$ 2,972,060	\$ 2,598,622	\$ 2,348,618
\$ 3,306,510	\$ 3,239,638	\$ 3,244,491
89.89%	80.21%	72.39%
46.33%	54.14%	54.05%

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST SEVEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net OPEB liability	0.13194550%	0.13256860%	0.13730840%	0.13943850%
City's proportionate share of the net OPEB liability	\$ 939,414	\$ 1,453,066	\$ 1,454,805	\$ 1,377,336
City's covered payroll	\$ 3,689,727	\$ 3,448,819	\$ 3,907,857	\$ 3,358,505
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	25.46%	42.13%	37.23%	41.01%
Plan fiduciary net position as a percentage of the total OPEB liability	52.59%	46.86%	45.42%	47.08%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2019</u>	<u>2018</u>	<u>2017</u>
0.14540400%	0.14739800%	0.13322700%
\$ 1,324,126	\$ 8,351,342	\$ 6,323,986
\$ 3,336,222	\$ 3,139,305	\$ 2,913,374
39.69%	266.03%	217.07%
46.57%	14.13%	15.96%

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 340	\$ 460	\$ 728	\$ 669
Contributions in relation to the contractually required contribution	<u>(340)</u>	<u>(460)</u>	<u>(728)</u>	<u>(669)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,786,024	\$ 3,760,024	\$ 3,643,776	\$ 4,004,604
Contributions as a percentage of covered payroll	0.01%	0.01%	0.02%	0.02%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 743	\$ 783	\$ 33,146	\$ 65,430	\$ 63,294	\$ 59,156
<u>(743)</u>	<u>(783)</u>	<u>(33,146)</u>	<u>(65,430)</u>	<u>(63,294)</u>	<u>(59,156)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,477,523	\$ 3,306,510	\$ 3,258,398	\$ 3,244,491	n/a	n/a
0.02%	1.02%	2.02%	1.99%	n/a	n/a

**CITY OF FAIRLAWN, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Police:</i>				
Contractually required contribution	\$ 11,289	\$ 11,562	\$ 10,529	\$ 11,969
Contributions in relation to the contractually required contribution	<u>(11,289)</u>	<u>(11,562)</u>	<u>(10,529)</u>	<u>(11,969)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,452,279	\$ 2,312,442	\$ 2,105,721	\$ 2,004,811
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 7,604	\$ 6,886	\$ 6,715	\$ 7,570
Contributions in relation to the contractually required contribution	<u>(7,604)</u>	<u>(6,886)</u>	<u>(6,715)</u>	<u>(7,570)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,628,468	\$ 1,377,285	\$ 1,343,098	\$ 1,514,094
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 10,024	\$ 9,812	\$ 9,097	\$ 8,607	\$ 8,581	\$ 8,217
<u>(10,024)</u>	<u>(9,812)</u>	<u>(9,097)</u>	<u>(8,607)</u>	<u>(8,581)</u>	<u>(8,217)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,962,384	\$ 1,819,437	\$ 1,721,400	\$ 1,671,100	\$ 1,655,753	\$ 1,624,376
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
\$ 6,768	\$ 6,869	\$ 6,599	\$ 5,960	\$ 5,781	\$ 5,388
<u>(6,768)</u>	<u>(6,869)</u>	<u>(6,599)</u>	<u>(5,960)</u>	<u>(5,781)</u>	<u>(5,388)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,353,694	\$ 1,373,838	\$ 1,319,868	\$ 1,191,974	\$ 1,156,264	\$ 1,080,221
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2023

PENSION

---

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for 2014.
- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

*Changes in assumptions :*

- There were no changes in assumptions for 2014.
- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed from 0.50%, simple through 2021, then 2.15% simple to 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%.
- There were no changes in assumptions for 2023.

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2023

PENSION

---

*OHIO POLICE AND FIRE (OP&F) PENSION FUND*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for 2014.
- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

*Changes in assumptions :*

- There were no changes in assumptions for 2014.
- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- There were no changes in assumptions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the actuarially assumed rate of return was changed from 8.00% to 7.50%.
- For 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.50%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) wage inflation changed from 3.25% to 2.75%, (b) projected salary increases, including inflation changed from 3.25%-10.75% to 2.75%-10.75%, (c) the municipal bond rate was changed from 2.00% to 1.84% and (d) the health care cost trend rate was changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.
- For 2023, the following were the most significant changes of assumptions that affect 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 was changed from 1.84% to 4.05% and (c) the health care cost trend rate was changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.



CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

*OHIO POLICE AND FIRE (OP&F) PENSION FUND*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% down to 3.56%.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.56% down to 2.96%.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the investment rate of return was changed from 8.00% to 7.50% and (b) the discount rate was changed from 2.96% to 2.84%.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was changed from 2.84% to 4.27% and (b) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.

**This page intentionally left blank.**

**CITY OF FAIRLAWN, OHIO**

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

<b>FEDERAL GRANTOR</b> <b>Federal Grantor Agency Division</b> <i>Pass Through Grantor</i> Program/Cluster Title	<b>Federal Assistance Listing Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Federal Highway Administration</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction			
SUM Cleveland-Massillon Road	20.205	PID 117063	\$ 787,500
<b>Total U.S. Department of Transportation</b>			787,500
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Federal Emergency Management Agency</b>			
<i>Direct</i>			
Assistance to Firefighters	97.044	N/A	47,139
<b>Total U.S. Department of Homeland Security</b>			47,139
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Summit County</i>			
Community Development Block Grant	14.218	N/A	12,638
<b>Total U.S. Department of Housing and Urban Development</b>			12,638
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Direct</i>			
Bullet Proof Vest Partnership Program	16.607	N/A	5,344
<b>Total U.S. Department of Justice</b>			5,344
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 852,621

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

**CITY OF FAIRLAWN, OHIO**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Fairlawn (the City's) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - MATCHING REQUIREMENTS**

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

# OHIO AUDITOR OF STATE KEITH FABER



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

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

City of Fairlawn  
Summit County  
3487 South Smith Road  
Fairlawn, Ohio 44333

To the Honorable Mayor and 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fairlawn, Summit County, (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 September 23, 2024.

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

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

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

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

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

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

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

September 23, 2024

# OHIO AUDITOR OF STATE KEITH FABER



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

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

City of Fairlawn  
Summit County  
3487 South Smith Road  
Fairlawn, Ohio 44333

To the Honorable Mayor and Members of City Council:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

September 23, 2024

**This page intentionally left blank.**

**CITY OF FAIRLAWN  
SUMMIT COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction – AL #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

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

None.

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF FAIRLAWN**

**SUMMIT COUNTY**

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

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



**Certified for Release 10/10/2024**

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

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