

**CITY OF OLMSTED FALLS**  
CUYAHOGA COUNTY, OHIO

**REGULAR AUDIT**

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





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Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

Members of City Council and Mayor  
City of Olmsted Falls  
26100 Bagley Road  
Olmsted, Ohio 44138

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

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

August 15, 2024

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**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 3
Management’s Discussion and Analysis .....	5 - 16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	17
Statement of Activities .....	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund .....	23
Statement of Fiduciary Net Position - Custodial Fund.....	24
Statement of Changes in Fiduciary Net Position Custodial Fund .....	25
Notes to the Basic Financial Statements.....	26 - 85
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/(Asset):	
Ohio Public Employees Retirement System.....	86 - 87
Ohio Police and Fire Pension Fund .....	88 - 89
Schedule of City’s Contributions – Pension:	
Ohio Public Employees Retirement System.....	90 - 91
Ohio Police and Fire Pension Fund .....	92 - 93
Schedule of the City’s Proportionate Share of the Net OPEB Liability/(Asset):	
Ohio Public Employees Retirement System.....	94 - 95
Ohio Police and Fire Pension Fund .....	96 - 97
Schedule of the City’s Contributions – OPEB:	
Ohio Public Employees Retirement System.....	98 - 99
Ohio Police and Fire Pension Fund .....	100 - 101
Notes to the Required Supplementary Information .....	102 - 104
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	105 - 106
Summary Schedule of Prior Audit Findings.....	107

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## Independent Auditor's Report

City of Olmsted Falls  
Cuyahoga County  
26100 Bagley Road  
Olmsted Falls, Ohio 44138

To the Members of the City Council and Mayor:

### Report on the Audit of the Financial Statements

#### *Opinions*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olmsted Falls, as of December 31, 2023, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2024 on our consideration of the City of Olmsted Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Olmsted Falls' 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 of Olmsted Falls' internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 14, 2024

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# *City of Olmsted Falls, Ohio*

## Management's Discussion and Analysis For the Year Ended December 31, 2023 (Unaudited)

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The management's discussion and analysis of the City of Olmsted Falls (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 increased \$772,860 or 2.04% compared to 2022.
- General revenues accounted for \$7,387,430 or 68.57% of total governmental activities revenue. Program specific revenues accounted for \$3,386,087 or 31.43% of total governmental activities revenue.
- The City had \$10,000,657 in expenses related to governmental activities; these expenses were partially offset by program specific charges for services, grants or contributions.
- The City's major governmental funds are the General Fund and the Sanitary Sewers Fund. The General Fund had revenues and other financing sources of \$6,603,519 in 2023. The General Fund had expenditures and other financing uses of \$5,845,800. The net increase in fund balance for the General Fund was \$757,719 or 21.73%. The General Fund transferred out \$200,000 to cover the cost of other governmental funds.
- The Sanitary Sewers Fund revenues account for \$203,726 in 2023. The expenditures of the Sanitary Sewers Fund, totaled \$190,965 in 2023. The net increase in fund balance for the Sanitary Sewers Fund was \$12,761. This was due to the decrease in project costs incurred during the year.
- In the General Fund, the actual revenues and other financing sources came in \$531,189 more than they were in the final budget and actual expenditures and other financing uses were \$511,756 less than the amount in the final budget.

### **Using this Annual Financial Report**

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 Olmsted Falls, Ohio*

Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2023  
(Unaudited)

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### **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 statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 revenues growth, facility conditions, required community programs and other factors.

In the statement of net position and statement of activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and municipal income taxes and intergovernmental revenues including federal and state grants and other shared revenues. These financial statements can be found on page 17-18 of this report.

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

#### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental 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 analysis of the City's major governmental funds, which includes the General Fund and Sanitary Sewers Fund 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, 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.

## *City of Olmsted Falls, Ohio*

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

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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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change 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 and Sanitary Sewers Fund. Information for major funds is presented separately in the governmental fund balance sheet and the governmental fund 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 19-23 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. Custodial funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on pages 24-25 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. These notes to the basic financial statements can be found on pages 26-85 of this report.

#### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements are the required supplementary information and notes to the required supplementary information related to the net pension liability and net OPEB liability. This information can be found on pages 86-104 of the report.

## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

#### Government-Wide Financial Analysis

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

**Table 1 - Net Position**

	Governmental Activities	
	2023	2022
<b><u>Assets</u></b>		
Current and Other Assets	\$ 17,011,044	\$ 16,538,762
Capital Assets	36,780,970	36,885,729
Net OPEB Asset	-	325,399
<b>Total Assets</b>	<b>53,792,014</b>	<b>53,749,890</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,917,579	1,482,862
OPEB	501,374	363,321
<b>Total Deferred Outflows of Resources</b>	<b>3,418,953</b>	<b>1,846,183</b>
<b><u>Liabilities</u></b>		
Long-term Liabilities	14,017,875	10,320,300
Other Liabilities	985,840	1,716,849
<b>Total Liabilities</b>	<b>15,003,715</b>	<b>12,037,149</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes and Leases	2,552,852	2,527,377
Pension	559,133	2,572,602
OPEB	436,609	573,147
<b>Total Deferred Inflows of Resources</b>	<b>3,548,594</b>	<b>5,673,126</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	31,821,475	31,503,337
Restricted	7,578,194	7,516,067
Unrestricted	(741,011)	(1,133,606)
<b>Total Net Position</b>	<b>\$ 38,658,658</b>	<b>\$ 37,885,798</b>

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." Previously, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB, and Net OPEB Asset.

## *City of Olmsted Falls, Ohio*

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

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

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

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

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

## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, 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 of resources exceeded liabilities and deferred inflows of resources by \$38,658,658.

Capital assets reported on the government wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 68.38% of total assets. Capital assets include land, buildings, improvements other than building, machinery, equipment & vehicles and infrastructure. Net investment in capital assets at December 31, 2023, was \$31,821,475 in the governmental activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$7,578,194, represents resources that are subject to external restriction on how they may be used.

Current and Other Assets increased by \$472,282, or 2.86%, which was a result of an increase in cash and cash equivalents. Other Liabilities decreased \$731,009, or 42.58%. This was a result of the City spending down ARPA funds in 2023, which decreased unearned revenue. Deferred Outflows of Resources increased by \$1,572,770, or 85.19%, Long-term Liabilities increased by \$3,697,575, or 35.83%, and Deferred Inflows of Resources decreased by \$2,124,532, or 37.45%. These changes to Deferred Outflows/Inflows and Long-term Liabilities were primarily due to the pension and OPEB adjustments per GASB 68 and 75.

The table presented below is necessary to show the City's Net Position without the implementation of GASB 68 and GASB 75.

Table 2 - Net Position Without GASB 68 and GASB 75

Total Net Position including GASB 68 and GASB 75	\$ 38,658,658
Add:	
Net Pension liability	8,019,556
Net OPEB Liability	427,335
Deferred Inflows - Pension	559,133
Deferred Inflows - OPEB	436,609
Less:	
Deferred Outflows - Pension	2,917,579
Deferred Outflows - OPEB	501,374
Total Net Position without GASB 68 and GASB 75	<u>\$ 44,682,338</u>



**City of Olmsted Falls, Ohio**

Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2023  
(Unaudited)

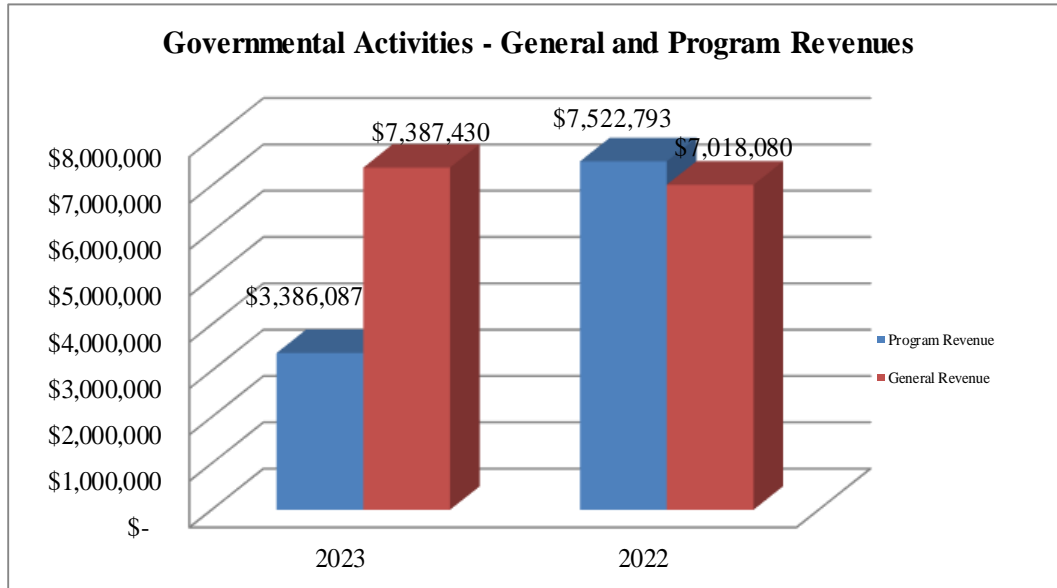
The table below shows the changes in net position for the fiscal years 2023 and 2022.

**Table 3 - Change in Net Position**

	Governmental Activities	
	2023	2022
<b><u>Revenues</u></b>		
Program Revenues		
Charges for Services	\$ 1,841,566	\$ 1,779,350
Operating Grants and Contributions	1,090,922	1,349,543
Capital Grants and Contributions	453,599	4,393,900
<b>Total Program Revenues</b>	<b>3,386,087</b>	<b>7,522,793</b>
General Revenues		
Property Taxes	1,946,995	1,944,824
Municipal Income Taxes	4,406,078	4,350,157
Other Taxes	43,188	-
Investment Earnings	312,918	131,056
Grants and Entitlements not Restricted to Specific Programs	510,800	497,181
All Other Revenue	74,586	80,483
Gain on Sale of Capital Assets	92,865	14,379
<b>Total General Revenues</b>	<b>7,387,430</b>	<b>7,018,080</b>
<b>Total Revenues</b>	<b>10,773,517</b>	<b>14,540,873</b>
<b><u>Expenses</u></b>		
Program Expenses		
Security of Persons and Property	4,249,343	3,389,781
Public Health Services	833,318	911,477
Basic Utility Services	757,316	314,722
Community Environment	442,177	365,139
Leisure Time Activities	186,614	254,166
Transportation	1,632,724	1,633,220
General Government	1,795,167	1,474,175
Interest and Fiscal Charges	103,998	86,094
<b>Total Program Expenses</b>	<b>10,000,657</b>	<b>8,428,774</b>
Change in Net Position	772,860	6,112,099
Net Position, Beginning of Year	37,885,798	31,773,699
<b>Net Position, End of Year</b>	<b>\$ 38,658,658</b>	<b>\$ 37,885,798</b>

## City of Olmsted Falls, Ohio

Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2023  
(Unaudited)



### Governmental Activities

Governmental activities net position increased \$772,860 in 2023. This increase is mainly attributed to the increases in Property Taxes, Municipal Income Taxes, Other Taxes, and Investment Earnings. Those four revenue sources combined to increase \$283,142 from 2022.

Capital Grants and Contributions decreased by \$3,940,301, or 89.68%, due to the City receiving more grants from outside sources to assist in funding the Columbia/Cook Sanitary Sewer Project in 2022 and the special assessment receivable that began in 2022 for the Sanitary Sewer Phase 5 project. Operating Grant and Contributions decreased by \$258,621, or 19.16%, as compared to 2022.

General revenues totaled \$7,387,430 and amounted to 68.57% of total governmental revenues. These revenues primarily consist of property and municipal income tax revenue of \$6,353,073. This was an increase of \$58,092, or 0.92%. This was due to the increase in property tax values from the reappraisal and increase in payroll taxes collected. Investment Earnings increased by \$181,862, or 138.77%, which was due to the rising interest rate.

Governmental activities programs expenses totaled \$10,000,657 which is a \$1,571,883 increase as compared to 2022. Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,249,343 of the total expenses of the City. The recording of GASB Statements No. 68 and 75 expenditures increased in 2023 as compared to a reduction in expenditures in 2022. These expenses were partially funded by \$382,294 in direct charges to users of the services and \$11,863 in operating grants. Transportation expenses totaled \$1,632,724 and were funded by \$46,664 in direct charges to users of these services, \$756,635 in operating grants and contributions, and \$19,464 in capital grants and contributions.

## City of Olmsted Falls, Ohio

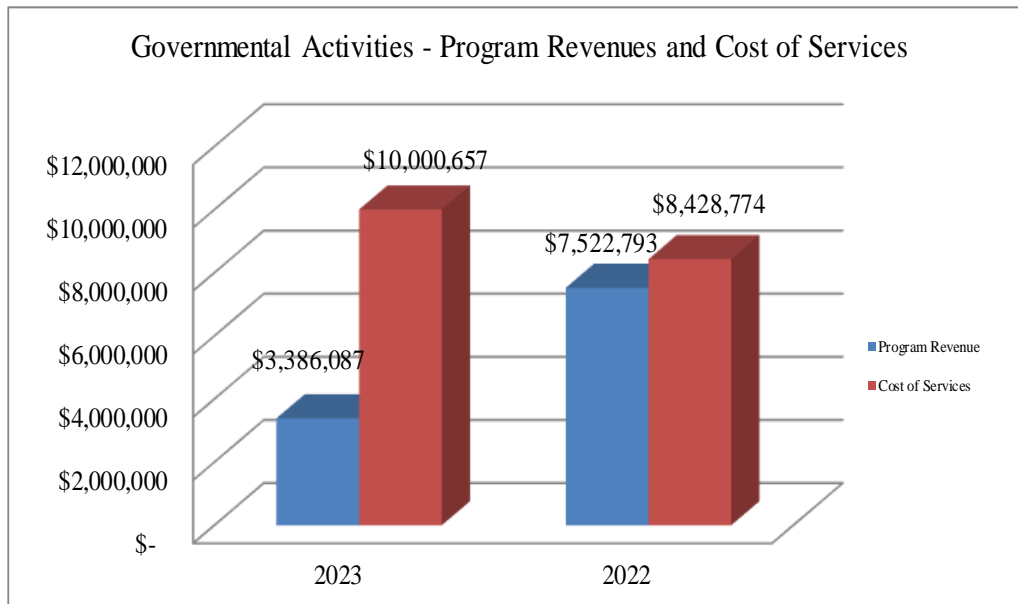
### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

The statement of activities shows the cost of program services and the charges for services and grants 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 supported by tax revenue and unrestricted State grants and entitlements.

As can be seen in the following graph, the City is highly dependent upon property and municipal income taxes as well as unrestricted grants and entitlements to support its governmental activities.

	2023		2022	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<i>Governmental Activities:</i>				
Security of Persons and Property	\$ 4,249,343	\$ 3,855,186	\$ 3,389,781	\$ 3,009,424
Public Health Services	833,318	833,318	911,477	911,477
Basic Utility Services	757,316	(422,917)	314,722	(5,023,839)
Community Environment	442,177	175,892	365,139	93,027
Leisure Time Activities	186,614	(227,886)	254,166	97,166
Transportation	1,632,724	809,961	1,633,220	678,302
General Government	1,795,167	1,487,018	1,474,175	1,054,330
Interest and Fiscal Charges	103,998	103,998	86,094	86,094
<b>Total Expenses</b>	<b><u>\$10,000,657</u></b>	<b><u>\$ 6,614,570</u></b>	<b><u>\$ 8,428,774</u></b>	<b><u>\$ 905,981</u></b>

\* Certain reclassifications have made to the financial statements



## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

#### 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.

#### 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 financial requirements. In particular, unassigned fund balances may serve 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 19) reported a combined fund balance of \$7,623,113 which is \$1,349,496 more than last year's balance of \$6,273,617. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2023 for all major and nonmajor governmental funds.

	Fund Balance		Increase (Decrease)
	2023	2022	
General	\$ 4,245,347	\$ 3,487,628	\$ 757,719
Sanitary Sewers	137,842	125,081	12,761
Other Governmental Funds	3,239,924	2,660,908	579,016
	\$ 7,623,113	\$ 6,273,617	\$ 1,349,496

The General Fund balance increased by \$757,719. The table that follows assists in illustrating the revenues and other financing sources of the General Fund.

	2023	2022	Percentage Change
<b><u>Revenues and Other Financing Sources</u></b>			
Municipal Income Taxes	\$ 3,793,699	\$ 3,887,783	-2.42%
Property Taxes	620,635	609,697	1.79%
Licenses and Permits	239,546	218,776	9.49%
Intergovernmental	341,059	316,080	7.90%
Charges for Services	1,149,964	1,119,207	2.75%
Fines and Forfeitures	99,220	95,819	3.55%
Investment Income	290,918	120,081	142.27%
Lease	26,393	26,393	0.00%
Sale of Capital Assets	194	410	-52.68%
Proceeds from Financed Purchases Payable	-	24,058	-100.00%
All Other Revenues	41,891	19,372	116.25%
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 6,603,519</b>	<b>\$ 6,437,676</b>	<b>2.58%</b>

## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

Municipal Income Taxes decreased by \$94,084, or 2.42%, due a plant closing in 2023. Licenses and permits increased by \$20,770, or 9.49%. Property Taxes increased by \$10,938, or 1.79%. Investment Income increased \$170,837, or 142.27%, due to the rising interest rates.

The following table assists in illustrating the expenditures of the General Fund.

	2023	2022	Percentage Change
<b><u>Expenditures and Other Financing Uses</u></b>			
Security of Persons and Property	\$ 2,462,778	\$ 2,387,111	3.17%
Public Health Services	778,956	741,832	5.00%
Community Environment	307,343	309,658	-0.75%
Basic Utility Services	119,787	115,003	4.16%
Transportation	444,536	439,112	1.24%
General Government	1,506,341	1,441,269	4.51%
Principal Retirement	23,769	24,639	-3.53%
Interest and Fiscal Charges	2,290	4,060	-43.60%
Transfers Out	200,000	240,002	-16.67%
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 5,845,800</b>	<b>\$ 5,702,686</b>	<b>2.51%</b>

Security of Persons and Property expenditures increased by \$75,667, or 3.17%. General Government increased by \$65,072, or 4.51%. Both increases were a result of wage increases and the City's investment in updated equipment and vehicles.

#### ***Sanitary Sewers Fund***

The Sanitary Sewers Fund had revenues of \$203,726 in 2023. The expenditures of the Sanitary Sewers Fund, totaled \$190,965 in 2023. The net increase in fund balance for the Sanitary Sewers Fund was \$12,761. The increase was due to the decrease in expenditures for construction work on the Columbia/Cook Sanitary Sewers from 2022 to 2023.

#### ***Budgeting Highlights***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated resources certified by the Budget Commission in accordance with the ORC. If budgeted revenues are adjusted due to activity, then appropriations can be adjusted accordingly.

In the General Fund, the actual revenues and other financing sources came in \$531,189 more than the final budgeted amounts and actual expenditures and other financing uses were \$511,756 less than the amount in the final budget.

## *City of Olmsted Falls, Ohio*

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2023 (Unaudited)

#### *Capital Assets and Debt Administration*

##### *Capital Assets*

At the end of fiscal year 2023, the City had \$36,780,970 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings, machinery, equipment, vehicles and infrastructure. The table below shows fiscal 2023 balances compared to 2022.

<b>Capital Assets at December 31 (Net of Depreciation)</b>		
	Governmental Activities	
	2023	2022
Land	\$ 1,459,687	\$ 1,459,687
Buildings	5,551,976	5,650,031
Improvements Other Than Buildings	1,036,482	1,011,784
Machinery, Equipment, and Vehicles	2,157,142	1,753,009
Infrastructures	26,575,683	27,011,218
<b>Total Capital Assets</b>	<b>\$ 36,780,970</b>	<b>\$ 36,885,729</b>

Refer to Note 9 for additional information on the City's capital assets.

##### *Debt Obligations*

The City had the following debt obligations outstanding at December 31, 2023 and 2022:

<b>Outstanding Debt at December 31</b>		
	Governmental Activities	
	2023	2022
General Obligation Bonds	\$ 915,000	\$ 1,035,000
W&SRC Loan	396,075	396,075
OWDA Loans	3,417,757	3,654,846
OPWC Loans	185,844	207,370
Financed Purchase Payables	190,344	54,030
Compensated Absences	465,964	373,214
<b>Total Outstanding Debt</b>	<b>\$ 5,570,984</b>	<b>\$ 5,720,535</b>

Refer to Note 11 for additional information on the City's debt obligations.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Mr. Cory Swaisgood, Director of Finance, City of Olmsted Falls, 26100 Bagley Rd., Olmsted Falls, Ohio 44138-1897.

*City of Olmsted Falls, Ohio*

Statement of Net Position  
December 31, 2023

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 7,338,616
Materials and Supplies Inventory	16,462
Accounts Receivable	936,755
Accrued Interest Receivable	8,456
Intergovernmental Receivable	513,351
Prepaid Items	131,259
Municipal Income Taxes Receivable	1,615,561
Property Taxes Receivable	2,029,750
Special Assessments Receivable	3,641,092
Lease Receivable	634,217
Loan Receivable	145,525
Nondepreciable Capital Assets	1,459,687
Depreciable Capital Assets	35,321,283
<b>Total Assets</b>	<b>53,792,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	2,917,579
OPEB	501,374
<b>Total Deferred Outflows of Resources</b>	<b>3,418,953</b>
<b>LIABILITIES</b>	
Accounts Payable	187,667
Accrued Wages and Benefits	129,004
Intergovernmental Payable	57,627
Matured Compensated Absences Payable	25,757
Accrued Interest Payable	2,309
Unearned Revenue	583,476
Long-term Liabilities:	
Due within one year	463,733
Due in more than one year:	
Net Pension Liability (See Note 14)	8,019,556
Net OPEB Liability (See Note 15)	427,335
Other Amounts	5,107,251
<b>Total Liabilities</b>	<b>15,003,715</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes and Lease	2,552,852
Pension	559,133
OPEB	436,609
<b>Total Deferred Inflows of Resources</b>	<b>3,548,594</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	31,821,475
Restricted for:	
Debt Service	235,047
Capital Projects	4,235,558
Sanitary Sewer Improvements	771,716
Road Improvements	1,364,867
Other Purposes	971,006
Unrestricted	(741,011)
<b>Total Net Position</b>	<b>\$ 38,658,658</b>

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

# City of Olmsted Falls, Ohio

## Statement of Activities For the Year Ended December 31, 2023

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
Governmental Activities:					
Security of Persons and Property	\$ 4,249,343	\$ 382,294	\$ 11,863	\$ -	\$ (3,855,186)
Public Health Services	833,318	-	-	-	(833,318)
Leisure Time Activities	186,614	24,500	-	390,000	227,886
Community Environment	442,177	194,992	71,293	-	(175,892)
Basic Utility Services	757,316	1,000,394	160,391	19,448	422,917
Transportation	1,632,724	46,664	756,635	19,464	(809,961)
General Government	1,795,167	192,722	90,740	24,687	(1,487,018)
Interest and Fiscal Charges	103,998	-	-	-	(103,998)
Total Governmental Activities	\$ 10,000,657	\$ 1,841,566	\$ 1,090,922	\$ 453,599	(6,614,570)
<b>General Revenues:</b>					
Property Taxes levied for:					
General Purposes					610,881
Other Purposes					1,336,114
Municipal Income Taxes levied for:					
General Purposes					3,894,077
Capital Outlay					512,001
Other Taxes					43,188
Grants & Entitlements not restricted to specific programs					510,800
Investment Income					312,918
Gain on Sale of Capital Assets					92,865
All Other Revenues					74,586
Total General Revenues					7,387,430
Change in Net Position					772,860
Net Position - Beginning of Year					37,885,798
<b>Net Position - End of Year</b>					<b>\$ 38,658,658</b>

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



# City of Olmsted Falls, Ohio

## Balance Sheet Governmental Funds December 31, 2023

	General Fund	Sanitary Sewers	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,517,447	\$ 137,842	\$ 3,683,327	\$ 7,338,616
Materials and Supplies Inventory	-	-	16,462	16,462
Accrued Interest Receivable	8,456	-	-	8,456
Accounts Receivable	875,084	-	61,671	936,755
Interfund Receivable	323,254	-	463,254	786,508
Intergovernmental Receivable	141,109	-	372,242	513,351
Prepaid Items	131,259	-	-	131,259
Municipal Income Taxes Receivable	1,421,694	-	193,867	1,615,561
Property Taxes Receivable	636,744	-	1,393,006	2,029,750
Special Assessments Receivable	-	3,179,794	461,298	3,641,092
Loan Receivable	145,525	-	-	145,525
Lease Receivable	634,217	-	-	634,217
<b>Total Assets</b>	<b>\$ 7,834,789</b>	<b>\$ 3,317,636</b>	<b>\$ 6,645,127</b>	<b>\$ 17,797,552</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 170,556	\$ -	\$ 17,111	\$ 187,667
Accrued Wages and Benefits	122,304	-	6,700	129,004
Intergovernmental Payable	8,812	-	48,815	57,627
Matured Compensated Absences Payable	25,757	-	-	25,757
Interfund Payable	-	-	786,508	786,508
Unearned Revenue	294,575	-	288,901	583,476
<b>Total Liabilities</b>	<b>622,004</b>	<b>-</b>	<b>1,148,035</b>	<b>1,770,039</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes and Lease	1,210,718	-	1,342,134	2,552,852
Unavailable Revenue - Delinquent Property Taxes	24,275	-	50,872	75,147
Unavailable Revenue - Municipal Income Taxes	811,120	-	110,607	921,727
Unavailable Revenue - Special Assessments	-	3,179,794	461,298	3,641,092
Unavailable Revenue - Other	921,325	-	292,257	1,213,582
<b>Total Deferred Inflows of Resources</b>	<b>2,967,438</b>	<b>3,179,794</b>	<b>2,257,168</b>	<b>8,404,400</b>
<b>Fund Balances:</b>				
Nonspendable	628,403	-	16,462	644,865
Restricted	-	137,842	3,348,268	3,486,110
Committed	158,583	-	103,575	262,158
Assigned	301,971	-	-	301,971
Unassigned (Deficit)	3,156,390	-	(228,381)	2,928,009
<b>Total Fund Balances</b>	<b>4,245,347</b>	<b>137,842</b>	<b>3,239,924</b>	<b>7,623,113</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 7,834,789</b>	<b>\$ 3,317,636</b>	<b>\$ 6,645,127</b>	<b>\$ 17,797,552</b>

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

## City of Olmsted Falls, Ohio

### Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2023

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<b>Total Governmental Fund Balances</b>	7,623,113
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*Amounts reported for Governmental Activities in the Statement of Net Position are different because:*

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	36,780,970
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenues in the funds:

Delinquent Property taxes	75,147	
Municipal Income taxes	921,727	
Special Assessments	3,641,092	
Intergovernmental	379,843	
Charges for Services	833,739	
Total		5,851,548

In the Statement of Activities, interest is accrued on outstanding debt, whereas in Governmental funds, an interest expenditure is reported when due.	(2,309)
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The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:

Deferred Outflows - Pension	2,917,579	
Deferred Inflows - Pension	(559,133)	
Deferred Outflows - OPEB	501,374	
Deferred Inflows - OPEB	(436,609)	
Net OPEB Liability	(427,335)	
Net Pension Liability	(8,019,556)	
Total		(6,023,680)

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

OPWC Loans	(185,844)	
General Obligation bonds	(915,000)	
OWDA Loans	(3,417,757)	
Financed Lease Purchases	(190,344)	
Ohio W&SRC Loan	(396,075)	
Compensated Absences	(465,964)	
Total		(5,570,984)

<b>Net Position of Governmental Activities</b>	38,658,658
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The notes to the basic financial statements are an integral part of this statement.

## City of Olmsted Falls, Ohio

### Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2023

	General Fund	Sanitary Sewers	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 620,635	\$ -	\$ 1,359,388	\$ 1,980,023
Municipal Income Taxes	3,793,699	-	501,619	4,295,318
Other Taxes	-	-	43,188	43,188
Intergovernmental	341,059	20,181	1,498,299	1,859,539
Investment Income	290,918	-	-	290,918
Licenses and Permits	239,546	-	-	239,546
Fines and Forfeitures	99,220	-	13,129	112,349
Lease	26,393	-	-	26,393
Charges for Services	1,149,964	-	295,901	1,445,865
Contributions and Donations	-	-	41,781	41,781
Special Assessments	-	183,545	259,093	442,638
All Other Revenues	41,891	-	32,695	74,586
<b>Total Revenues</b>	<b>6,603,325</b>	<b>203,726</b>	<b>4,045,093</b>	<b>10,852,144</b>
<b>EXPENDITURES</b>				
Security of Persons and Property	2,462,778	-	1,176,840	3,639,618
Public Health Services	778,956	-	54,362	833,318
Leisure Time Activities	-	-	138,491	138,491
Community Environment	307,343	-	118,700	426,043
Basic Utility Services	119,787	1,819	406,529	528,135
Transportation	444,536	-	778,156	1,222,692
General Government	1,506,341	-	332,201	1,838,542
Capital Outlay	-	-	640,710	640,710
Debt Service:				
Principal Retirement	23,769	133,146	287,644	444,559
Interest and Fiscal Charges	2,290	56,000	51,205	109,495
<b>Total Expenditures</b>	<b>5,645,800</b>	<b>190,965</b>	<b>3,984,838</b>	<b>9,821,603</b>
Excess of Revenues Over (Under) Expenditures	957,525	12,761	60,255	1,030,541
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	194	-	116,503	116,697
Proceeds from Financed Lease Purchase	-	-	202,258	202,258
Transfers In	-	-	200,000	200,000
Transfers Out	(200,000)	-	-	(200,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(199,806)</b>	<b>-</b>	<b>518,761</b>	<b>318,955</b>
Net Change in Fund Balances	757,719	12,761	579,016	1,349,496
Fund Balances - Beginning of Year	3,487,628	125,081	2,660,908	6,273,617
<b>Fund Balances - End of Year</b>	<b>\$ 4,245,347</b>	<b>\$ 137,842</b>	<b>\$ 3,239,924</b>	<b>\$ 7,623,113</b>

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

## City of Olmsted Falls, Ohio

### Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2023

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	1,349,496
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*Amounts reported for Governmental Activities in the Statement of Activities are different because:*

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

Capital Outlay	842,706	
Depreciation	(923,633)	
Total	(80,927)	(80,927)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (23,832)

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

Delinquent Property taxes	(33,028)	
Municipal Income taxes	110,760	
Special Assessments	(304,736)	
Intergovernmental	16,099	
Charges for Services	38,262	
Total	(172,643)	(172,643)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of the financed lease purchase. (202,258)

Repayment of debt principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 444,559

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

Pension	531,207	
OPEB	10,080	

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

Pension	(1,044,405)	
OPEB	53,370	

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

Compensated absences	(92,750)	
Accrued interest	963	
Total	(91,787)	

<b>Change in Net Position of Governmental Activities</b>	<b>772,860</b>
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The notes to the basic financial statements are an integral part of this statement.

## *City of Olmsted Falls, 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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 560,552	\$ 570,960	\$ 620,635	\$ 49,675
Municipal Income Taxes	3,489,849	3,554,643	3,863,907	309,264
Charges for Services	1,053,709	1,073,273	1,166,650	93,377
Licenses and Permits	217,353	221,389	240,650	19,261
Fines and Forfeitures	64,088	65,278	70,957	5,679
Intergovernmental	312,366	318,166	345,847	27,681
Investment Income	239,739	244,190	265,435	21,245
All Other Revenues	56,319	57,365	62,356	4,991
<b>Total Revenues</b>	5,993,975	6,105,264	6,636,437	531,173
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,667,400	2,697,400	2,526,747	170,653
Public Health Services	907,680	914,321	774,974	139,347
Community Environment	322,279	322,279	307,592	14,687
Basic Utility Services	127,350	127,350	177,641	(50,291)
Transportation	519,532	519,532	473,876	45,656
General Government	1,664,907	1,688,907	1,497,203	191,704
Debt Service:				
Principal	19,404	19,404	19,404	-
<b>Total Expenditures</b>	6,228,552	6,289,193	5,777,437	511,756
Excess of Revenues Over (Under) Expenditures	(234,577)	(183,929)	859,000	1,042,929
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	175	178	194	16
Transfers Out	(250,000)	(450,000)	(450,000)	-
<b>Total Other Financings Sources (Uses)</b>	(249,825)	(449,822)	(449,806)	16
Net Change in Fund Balance	(484,402)	(633,751)	409,194	1,042,945
Fund Balance - Beginning of Year	1,983,581	1,983,581	1,983,581	-
Prior Year Encumbrances Appropriated	282,117	282,117	282,117	-
Fund Balance - End of Year	\$ 1,781,296	\$ 1,631,947	\$ 2,674,892	\$ 1,042,945

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

*City of Olmsted Falls, Ohio*

Statement of Fiduciary Net Position  
Custodial Fund  
December 31, 2023

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	<u>Custodial Fund</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 456
<b>Total Assets</b>	<u>456</u>
<b>NET POSITION</b>	
Restricted For:	
Individuals, Organizations, and Other Governments	456
<b>Total Net Position</b>	<u>\$ 456</u>

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

*City of Olmsted Falls, Ohio*

Statement of Changes in Fiduciary Net Position  
Custodial Fund  
For the Year Ended December 31, 2023

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	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Intergovernmental	\$ 80,545
Licenses, Permits, & Fees Distributions for Other Governments	1,654
<b>Total Additions</b>	<u>82,199</u>
<b>DEDUCTIONS</b>	
Licenses, Permits, & Fees Distributions to Other Governments	1,642
Distributions to Individuals	80,545
<b>Total Deductions</b>	<u>82,187</u>
Net Increase in Fiduciary Net Position	12
Net Position - Beginning of Year	444
<b>Net Position - End of Year</b>	<u>\$ 456</u>

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

# *City of Olmsted Falls, Ohio*

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023

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### **Note 1: Description of City and Reporting Entity**

The City of Olmsted Falls, Cuyahoga County, (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1851 and became a City in 1972. Under the City Charter adopted in July 1972, the City has an elected mayor-council form of government. Council is composed of seven members, three at large and one for each of the City's four wards, all elected for terms of two years. The Director of Law, Director of Finance, Safety Director, Service Director and Economic Development Director are appointed by the Mayor and confirmed by Council.

### **Reporting Entity**

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

The City as a primary government consists of all funds and the departments, which are not legally separate from the City. They include a police force, a fire fighting force, a mayor's court, a street maintenance force, planning and zoning departments, a park and recreation system and a staff to provide essential support to these service providers. The operation of each of these activities is directly controlled by the City Council through the budgetary process and is therefore included as part of the reporting entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City is associated with six jointly governed organizations, the Northeast Ohio Public Energy Council, Chestnut Grove Union Cemetery, Olmsted Joint Economic Development District, Southwest Council of Governments, the Southwest General Hospital, and Southwest Regional Communications Council of Governments. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. These organizations are presented in Note 13.



# *City of Olmsted Falls, Ohio*

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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### **Note 1: Description of City and Reporting Entity** (continued)

#### **Reporting Entity** (continued)

The Olmsted Falls City School and the Berea City School Districts service the boundaries of the City. Both are distinct political subdivisions of the State of Ohio and each is operated under an elected school board possessing its own budgetary and taxing authority. Accordingly, the school districts are not considered part of the City and their operations are not included within the accompanying financial statements.

The Cuyahoga County Public Library (the Library), located within the boundaries of the City, is a distinct political subdivision of the State of Ohio operated under the supervision of the Cuyahoga County Public Library District. The Library is not a component unit of the reporting entity and is not reflected within the accompanying financial statements.

Each year, the residents of Olmsted Falls are assessed, through a tax levy, for a portion of the general operating expenses of the Chestnut Grove Union Cemetery. For 2023, the amount paid to the Chestnut Grove Union Cemetery amounted to \$51,789. The residents are also assessed, through a tax levy, for a portion of the operating expenses of Southwest General Hospital. The amount paid in 2023 to Southwest General Hospital amounted to \$53,623. Both of these organizations exercise their own budgetary and financial management authority. Therefore, they are not considered part of the City and their operations are not reflected in the City's financial statements.

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

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

#### **A. Basis of Presentation**

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

# *City of Olmsted Falls, Ohio*

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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### **Note 2: Summary of Significant Accounting Policies** (continued)

#### **A. Basis of Presentation** (continued)

The statement of net position presents the financial condition of the governmental 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. 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 not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function 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 financial statements is on major funds. Each major fund is presented in a separate column. Non-Major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

#### **B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: Governmental, Proprietary and Fiduciary. The City does not have proprietary funds.

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **B. Fund Accounting** (continued)

Sanitary Sewers Fund – This fund is used to record the construction and engineering expenses for the Phase 5 Sanitary Sewer project. It includes monies received from special assessments, Olmsted Township, OPWC, OWDA and City of Cleveland. The expenses were assessed to the affected residents for repayment.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City only has one Custodial fund. Custodial funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The City's Custodial fund is used to account for building code fees due to other governments.

##### **C. Measurement Focus**

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **D. Basis of Accounting**

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. The City recorded unearned revenue related to building deposits and unspent moneys from ARPA and county grant funds.

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15, respectively.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **D. Basis of Accounting** (continued)

For the City, deferred inflows of resources include property taxes, leases, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance year 2024 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, intergovernmental revenue, and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

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

##### **E. Budgetary Process**

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, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than the custodial funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund, department, personal services, and other expense level for all funds. Any budgetary modifications at this level may only be made by resolution of the City Council. The Director of Finance is authorized to transfer appropriations between line items within a function or object of any department.

Tax Budget - At the last Council meeting in June, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1st to December 31st of the following year.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **E. Budgetary Process** (continued)

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 31st, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing 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 ordinance. On or about January 1st, the certificate of estimated resources is amended to include unencumbered fund balances at December 31st of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect when the original and final appropriations were passed by Council.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1st to March 31st. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1st to December 31st. The appropriation ordinance fixes spending authority at the department levels within each fund, separated into the categories of personal services, and other expenses. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations may not exceed current estimated resources, as certified. During the year, several supplemental appropriation measures were passed. The amounts reported as the budgeted amounts represent the original and final appropriation amounts passed by Council during the year.

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 constrain that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as a component of fund balances for subsequent-year expenditures for the General Fund.

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. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

# *City of Olmsted Falls, Ohio*

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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### **Note 2: Summary of Significant Accounting Policies** (continued)

#### **F. Cash and Cash Equivalents**

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

Investments are reported at fair value which is based on quoted market prices. Non-participating contracts such as repurchasing agreements are reported at cost.

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

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

The provisions of the Ohio Revised Code restrict investment procedures. Interest revenue credited to the General Fund during 2023 amounted to \$290,918 which includes \$151,479 assigned from other funds. Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

#### **G. Prepaid Items**

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

#### **H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures in the governmental funds when used. Inventory consists of expendable supplies held for consumption.

# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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### Note 2: Summary of Significant Accounting Policies (continued)

#### I. Capital Assets

General capital 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.

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 five thousand dollars. The City's infrastructure consists of streets, sanitary sewers, bridges and traffic signals. Traffic signals acquired prior to January 1, 2002 are not reported. 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. Retro to December 31, 2004, the City has implemented a bridge infrastructure accounting of all bridges greater than a ten-foot span.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	25 - 110 years
Improvements other than Buildings	10 - 50 years
Machinery, equipment and vehicles	5 - 75 years
Infrastructure	20 - 100 years

#### J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Loans resulting from negative cash balances are reported as "due to /from other funds." Interfund balance amounts are eliminated in the statement of net position.

#### K. Compensated Absences

Holiday, personal, vacations and other leave balances are an annual use it or lose it policy. Individual exceptions are allowed to carry forward certain unused amounts into the next year. Generally, such requests are infrequent.

Sick leave benefits are accrued as a liability using the vesting method. The financial reporting policy for recognition of compensated absences of sick time is based upon all employees considered vested after one year of employment and eligible for termination cash out. Or, it is assumed that all hired employees will terminate employment from the city and be eligible for cash out of unused sick time based upon the allocation ratio in effect at the fiscal year-end.



## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### L. Pensions/Other Postemployment Benefits (OPEB)

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

##### M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, short-term notes, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, financed purchases, long-term notes, and loans are recognized as a liability on the governmental fund financial statements when due.

Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

##### 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **N. Fund Balance** (continued)

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

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2024's budget.

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

# *City of Olmsted Falls, Ohio*

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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### **Note 2: Summary of Significant Accounting Policies** (continued)

#### **O. Net Position**

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for police and fire related activities, parks, and computerization of the mayor's court. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### **P. Interfund Activity**

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

#### **Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City had neither type of transaction during 2023.

#### **R. Estimates**

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

## *City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

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### **Note 3: Changes in Accounting Principles**

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

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

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

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

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

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*City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

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**Note 4: Accountability**

The following funds had a deficit fund balance at December 31, 2023:

	<u>Deficit</u>
<u>Nonmajor Other Governmental Funds</u>	
Community Development Block Grant Fund	\$ (19,571)
Street Lighting	(9,938)
Recreation Fund	(8,000)
Water Debt Project Fund	(23,053)
Sewer Debt Project Fund	(107,000)
Sewer Debt Project 4 Fund	(168,993)
Bakers Creek Bridge Fund	(33,860)
Railroad Improvement Fund	(20,000)
Total	<u>\$ (390,415)</u>

These deficits resulted from the recognition of accrued liabilities. The General Fund is responsible to cover deficit fund balances by means of a transfer. However, this is done when cash is needed rather than when accruals occur.

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## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 5: Fund Balances

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

	General	Sanitary Sewers	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepaid Items	\$ 131,259	\$ -	\$ -	\$ 131,259
Inventories	-	-	16,462	16,462
Loan Receivable	145,525	-	-	145,525
Interfund Receivables	323,254	-	-	323,254
Unclaimed Funds	28,365	-	-	28,365
<i>Total Nonspendable</i>	<u>628,403</u>	<u>-</u>	<u>16,462</u>	<u>644,865</u>
<i>Restricted</i>				
Road Improvements	-	-	1,031,354	1,031,354
Police and Fire Departments	-	-	448,027	448,027
Drug and Alcohol Enforcement	-	-	108	108
Juvenile Diversion	-	-	9,959	9,959
Law Enforcement	-	-	97,894	97,894
Sanitary Sewer Improvements	-	137,842	761,105	898,947
Shade Trees	-	-	11,223	11,223
Water Hydrant	-	-	373	373
Storm Sewer Improvements	-	-	79,742	79,742
DARE Gift	-	-	54	54
Capital Improvements	-	-	647,590	647,590
Jenkins	-	-	39,117	39,117
Park	-	-	64,785	64,785
Covered Bridge	-	-	12,593	12,593
FEMA	-	-	24,434	24,434
Debt Service Payments	-	-	111,859	111,859
911 Memorial	-	-	3,738	3,738
Opioid Settlement	-	-	4,313	4,313
<i>Total Restricted</i>	<u>-</u>	<u>137,842</u>	<u>3,348,268</u>	<u>3,486,110</u>
<i>Committed</i>				
Compensated Absences	158,583	-	-	158,583
Parks and Recreation	-	-	103,575	103,575
<i>Total Committed</i>	<u>158,583</u>	<u>-</u>	<u>103,575</u>	<u>262,158</u>
<i>Assigned</i>				
Fiscal Year 2024 Appropriations	144,746	-	-	144,746
Safety Forces	38,394	-	-	38,394
Refuse	59,350	-	-	59,350
Economic Development	13,466	-	-	13,466
Streets	20,862	-	-	20,862
General Government	25,153	-	-	25,153
<i>Total Assigned</i>	<u>301,971</u>	<u>-</u>	<u>-</u>	<u>301,971</u>
<i>Unassigned (Deficit)</i>	<u>3,156,390</u>	<u>-</u>	<u>(228,381)</u>	<u>2,928,009</u>
<b>Total Fund Balance</b>	<u><b>\$ 4,245,347</b></u>	<u><b>\$ 137,842</b></u>	<u><b>\$ 3,239,924</b></u>	<u><b>\$ 7,623,113</b></u>

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 6: Deposits and Investments**

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

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

Inactive deposits are 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 the term of the agreement must not exceed thirty days;
4. Time certificates of deposit of savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 6: Deposits and Investments** (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirements for maturity within ten years from the date of settlements, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
8. Certain bankers acceptances (for a period not to exceed two hundred eighty days) and commercial paper noted (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.

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

1. Bonds of the State of Ohio;
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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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 City by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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.



# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

### Note 6: Deposits and Investments (continued)

#### A. Deposits with Financial Institutions

Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2023, \$501,001 of the City's bank balance of \$2,983,087 was covered by Federal Depository Insurance and \$2,482,086 was covered by the Ohio Pooled Collateral System, and \$0 was uninsured and uncollateralized. Two of the three City's financial institutions were approved for a reduced collateral rate of 60 percent through the Ohio Pooled Collateral System.

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 entity. As required by Ohio Revised Code, the City's deposits should either be insured or be protected by:

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

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

#### B. Investments

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

	Net Asset Value	Credit Rating	Investment Maturities (in Years) <1
<u>Investment Type:</u>			
StarOhio	\$ 4,442,028	AAAm	\$ 4,442,028
Total Investments	<u>\$ 4,442,028</u>		<u>\$ 4,442,028</u>

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City has categorized 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.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 6: Deposits and Investments (continued)

##### B. Investments (continued)

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City’s investment policy addresses interest rate risk requiring that the City’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than two years.

Credit Risk -The City’s investment policy addresses credit risk by requiring that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer.

The credit ratings of the City’s investments are provided in the table on the previous page and are rated by Standard & Poor’s.

Concentration of Credit Risk- The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2023:

<u>Investment Type:</u>	<u>Measurement Value</u>	<u>Percent of Total</u>
StarOhio	\$ 4,442,028	100%
Total Investments	<u>\$ 4,442,028</u>	

Reconciliation of Cash and Investment to the Statement of Net Position – The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of December 31, 2023.

<u>Cash and Investments</u>	
Carrying amount of deposits	\$ 2,897,044
Investments	4,442,028
Total	<u>\$ 7,339,072</u>
 Cash and Cash Equivalents per Statement of Net Position	
Governmental Activities	\$ 7,338,616
Fiduciary Funds	456
Total	<u>\$ 7,339,072</u>

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### **Note 7: Interfund Transfers and Balances**

##### **A. Interfund Transfers**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

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

Transfer To	Transfer From General Fund
Other Governmental Funds	\$ 200,000
Total	\$ 200,000

The City transferred funds from the General Fund to both Police and Fire Pension Funds, \$85,000 and \$70,000, respectively, to cover the cost of their respective pension costs, and the remaining transfers from the General Fund were made for police training and debt service.

##### **B. Interfund Balances**

Interfund loans consisted of the following amounts “interfund receivable/payable” at December 31, 2023, as reported on the fund financial statements.

Fund	Receivable	Payable
General	\$ 323,254	\$ -
Other Governmental Funds	463,254	786,508
Total	\$ 786,508	\$ 786,508

The primary purpose of the interfund balances is to cover costs in specific funds where anticipated revenues were not received. These interfund balances will be repaid once the anticipated revenues are received. All interfund balance are expected to be repaid within one year. Interfund balances at December 31, 2023 consisted of \$323,254 due to the General Fund, with \$181,777 due from the Sewer Debt Project 4 Fund, \$19,571 due from the Community Development Block Grant Fund, \$8,000 due from the Recreation Fund, \$20,000 due from the Railroad Improvements Fund, and \$3,123 due from the OWDA Debt Service Fund. In addition, the General Fund has outstanding manuscript debt in the amount of \$74,800. Railroad Grade Separation Fund has outstanding manuscript debt in the amount of \$299,200 due from the Capital Improvement Fund and negative cash due to the General Fund in the amount of \$15,984. Capital Improvement Fund had an interfund balance due to it of \$42,000 from the Sewer Debt Project Fund and \$34,000 from the Bakers Creek Bridge Fund. The General Bond Retirement Fund had \$65,000 due from the Sewer Debt Project Fund. Capital Improvement Sanitary Fund advanced \$23,053 to the Water Debt Project Fund. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at December 31, 2023 are reported on the statement of net position.

# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

### Note 8: Receivables

Receivables at December 31, 2023, consisted of municipal income taxes, property taxes, accounts, due from other governments, loans, a lease, and special assessments. All receivables are considered fully collectible.

#### A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of the 2022 taxes. Property tax payments received during 2023 for tangible personal property (other than public utility property) are for 2022 taxes.

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

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

The full tax rate applied to real property for the fiscal year ended December 31, 2023 was \$12.65 for \$1,000 of assessed valuation. The assessed values of real and tangible personal property, upon which 2023 property tax receipts were based, are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and agricultural	\$226,633,040	87.08
Commercial and industrial	26,248,800	10.09
<u>Tangible Personal Property</u>		
Public utilities	7,391,710	2.84
Total	<u>\$260,273,550</u>	<u>100.00</u>

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

# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

### Note 8: Receivables (continued)

#### B. Income Taxes

The City levies an income tax of 1.50% on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income earned outside the City; however, a tax credit of up to .75% is allowed for income taxes paid to other municipalities. Employers within the City are required to withhold income tax on employee earnings and remit the tax at least quarterly to the Regional Income Tax Agency, who administers the City's income tax collections. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

By City Ordinance, income taxes shall be deposited in the General Fund, except that ten percent and two percent of such collections shall be deposited annually in the Capital Improvement Fund (an Other Governmental Fund) and the Capital Improvement Service Equipment Fund (an Other Governmental Fund), respectively.

#### C. Intergovernmental Receivable

A summary of intergovernmental receivables as of December 31, 2023, follows:

<u>Receivable Description</u>	<u>Amount</u>
Cents Per Gallon and Excise Tax	\$ 234,270
Homestead and Rollback	136,797
Local Government	97,051
Motor Vehicle Tax	30,873
Permissive Tax	4,845
Miscellaneous	9,515
Total Intergovernmental Receivable	<u>\$ 513,351</u>

#### D. Loan Receivable

The City is reporting a long-term loan receivable related to the Westlawn/Lindbergh Sewer project. During 2006, the Cities of Olmsted Falls and Berea entered into an agreement that involves the construction of sanitary and storm sewers in the Westlawn/Lindbergh area. As part of this agreement, the City has entered into a loan agreement with the Ohio Public Works Commission (OPWC) in the amount of \$388,070 to help fund some of the construction costs. Although the City of Olmsted Falls is obligated for the entire loan amount, the agreement between the Cities obligates the City of Berea to make annual debt service payments to the City of Olmsted Falls and the City of Olmsted Falls makes the payment to the OPWC.

As of December 31, 2023, the full amount of the loan has been "drawn down", thus creating a long-term OPWC loan payable by the City (See Note 11). A corresponding long-term loan receivable has been reported in the City's financial statements in the amount of \$145,525, which represents the amount owed by the City of Berea to the City of Olmsted Falls. This loan is classified as a loan receivable, considered collectible in full, and is expected to be collected in more than one year. The loan receivable on the modified statement is offset by nonspendable fund balance.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 8: Receivables (continued)

##### E. Lease Receivable

The City previously entered into a lease as Lessor for the use of a Cell Tower. An initial lease receivable was recorded in the amount of \$651,035. As of December 31, 2023, the value of the lease receivable is \$634,217. The lessee is required to make annual payments. The lease has an interest rate of 4.00%. The value of the deferred inflow of resources as of December 31, 2023 was \$598,248, and the City of Olmsted Falls recognized lease revenue of \$26,393 during the year. The lessee has 3 extension options for 60 months each, which are expected to be exercised. Principal and interest requirements for repayment of the lease at December 31, 2023, are as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 4,491	\$ 25,369	\$ 29,860
2025	4,671	25,189	29,860
2026	10,828	25,002	35,830
2027	11,261	24,569	35,830
2028	11,711	24,119	35,830
2029 - 2033	88,339	112,309	200,648
2034 - 2038	150,765	90,012	240,778
2039 - 2043	235,374	53,559	288,933
2044 - 2045	116,777	7,052	123,828
Total Payments	<u>\$ 634,217</u>	<u>\$ 387,180</u>	<u>\$ 1,021,397</u>

##### F. Special Assessment Receivable

Special assessments include assessments for debt obligations, which are levied against specific property owners who primarily benefitted from the project. Special assessments are payable by the timetable and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance. The City's assessments are for the construction of sanitary and storm sewers which are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year. Since all assessment collections are remitted to the City outside of the available period, the entire amount has been deferred on the fund financial statements.

At December 31, 2023, the City reported special assessments receivable in the amounts of \$3,641,092. Of these amounts reported, delinquent special assessments are \$15,212.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 9: Capital Assets

Capital asset activity for Governmental Activities for the year ended December 31, 2023:

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 1,459,687	\$ -	\$ -	\$ 1,459,687
Total Capital Assets Not Being Depreciated	<u>1,459,687</u>	<u>-</u>	<u>-</u>	<u>1,459,687</u>
Capital Assets, being depreciated:				
Buildings	7,188,664	-	-	7,188,664
Improvements other than buildings	1,458,255	88,835	-	1,547,090
Machinery, equipment, and vehicles	5,156,455	753,871	(238,472)	5,671,854
Infrastructure				
Traffic Signals	419,817	-	-	419,817
Bridges	11,786,551	-	-	11,786,551
Roads	1,810,494	-	-	1,810,494
Sanitary Sewers	16,434,558	-	-	16,434,558
Total Capital Assets, being Depreciated	<u>44,254,794</u>	<u>842,706</u>	<u>(238,472)</u>	<u>44,859,028</u>
Less Accumulated Depreciation:				
Buildings	(1,538,633)	(98,055)	-	(1,636,688)
Improvements other than buildings	(446,471)	(64,137)	-	(510,608)
Machinery, equipment, and vehicles	(3,403,446)	(325,906)	214,640	(3,514,712)
Infrastructure				
Traffic Signals	(122,776)	(8,396)	-	(131,172)
Bridges	(1,334,603)	(117,487)	-	(1,452,090)
Roads	(1,112,625)	(90,525)	-	(1,203,150)
Sanitary Sewers	(870,198)	(219,127)	-	(1,089,325)
Total Accumulated Depreciation	<u>(8,828,752)</u>	<u>(923,633) *</u>	<u>214,640</u>	<u>(9,537,745)</u>
Total Capital Assets, being Depreciated, Net	<u>35,426,042</u>	<u>(80,927)</u>	<u>(23,832)</u>	<u>35,321,283</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,885,729</u>	<u>\$ (80,927)</u>	<u>\$ (23,832)</u>	<u>\$ 36,780,970</u>

\*Depreciation expense was charged to governmental activities as follows:

Security of Persons and Property	\$ 180,694
Basic Utility Services	219,127
Leisure Time Activities	43,819
Transportation	376,549
General Government	103,444
Total Deprecation Expense	<u>\$ 923,633</u>

*City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

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**Note 10: Short-Term Note Payable**

The City's Short-term note activity, including amounts outstanding and interest rates, are as follows:

	Balance 12/31/2022	Increase	Decrease	Balance 12/31/2023
2022 City Building Improvement Notes 2.870%	200,000	-	(200,000)	-
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>

In 2022, the City issued \$200,000 in bond anticipation notes for the purpose to pay for costs of remodeling and other wise improving a City building which will house administrative offices. The entire \$200,000 of the Building Improvement Notes matured on June 8, 2023.

The note was backed by the full faith and credit of the City of Olmsted Falls and matured within one year. The note liability was reflected in the fund which received the proceeds.

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## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 11: Long-Term Obligations

The City had the following activity in long-term obligations during 2023:

	Balance 12/31/2022	Increase	Decrease	Balance 12/31/2023	Amount Due In a Year
<b>General Obligation Bonds:</b>					
1.99% Building Improvement Bonds, Series 2016	\$ 1,035,000	\$ -	\$ (120,000)	\$ 915,000	\$ 125,000
1998 Ohio Water and Sewer Rotary Commission Loan	396,075	-	-	396,075	-
<b>Direct Borrowing</b>					
<b>Ohio Water Development Authority Loans (OWDA):</b>					
2002 Sanitary Sewers 3.95%	90,246	-	(35,043)	55,203	36,441
2002 Storm Sewers 5.70%	16,394	-	(6,283)	10,111	6,646
2009 Sanitary Sewers 3.25%	421,677	-	(64,739)	356,938	66,860
2022 Sanitary Sewers 1.81%	3,126,529	-	(131,024)	2,995,505	133,406
<b>Total OWDA Loans</b>	<b>3,654,846</b>	<b>-</b>	<b>(237,089)</b>	<b>3,417,757</b>	<b>243,353</b>
<b>Ohio Public Works Commission (OPWC)</b>					
2006 Ohio Public Works Commission 0.00%	164,929	-	(19,404)	145,525	19,404
2022 Ohio Public Works Commission 0.00%	42,441	-	(2,122)	40,319	2,122
<b>Total OPWC Loans</b>	<b>207,370</b>	<b>-</b>	<b>(21,526)</b>	<b>185,844</b>	<b>21,526</b>
<b>Net Pension Liability</b>					
OPERS	971,226	2,199,307	-	3,170,533	-
OP&F	3,086,946	1,762,077	-	4,849,023	-
<b>Total Net Pension Liability</b>	<b>4,058,172</b>	<b>3,961,384</b>	<b>-</b>	<b>8,019,556</b>	<b>-</b>
<b>Net OPEB Liability</b>					
OPERS	-	63,891	-	63,891	-
OP&F	541,593	-	(178,149)	363,444	-
<b>Total Net OPEB Liability</b>	<b>541,593</b>	<b>63,891</b>	<b>(178,149)</b>	<b>427,335</b>	<b>-</b>
<b>Other Long-Term Liabilities:</b>					
Financed Lease Purchases	54,030	202,258	(65,944)	190,344	59,738
Compensated Absences	373,214	108,907	(16,157)	465,964	14,116
<b>Total Other Long-Term Liabilities</b>	<b>427,244</b>	<b>311,165</b>	<b>(82,101)</b>	<b>656,308</b>	<b>73,854</b>
<b>Total Long-Term Obligations</b>	<b>\$ 10,320,300</b>	<b>\$ 4,336,440</b>	<b>\$ (638,865)</b>	<b>\$ 14,017,875</b>	<b>\$ 463,733</b>

***Ohio Water and Sewer Rotary Commission (W&SRC)*** -The City obtained resources from the Ohio Water and Sewer Rotary Commission during fiscal year 1998 to pay for the cost of improvements contained within an Agricultural District within the City. The collections of special assessments within an agricultural district are exempt under the terms of Ohio Revised Code Section 929.03. The full amount of the assessment for the portion of the property, for which the use has changed, pursuant to the Revised Code, is due within ten days and must be repaid by the City regardless of whether the City has collected the full amount from property owners at that time. No part of the Ohio Water and Sewer Rotary Commission debt is due until use has changed per the requirements of the law. The amount of filing and unbilled special assessments for the improvements within the Agricultural District was \$396,075. There was no change in the status of the parcels for the year ended December 31, 2023.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 11: Long-Term Obligations** (continued)

Ohio Water Development Authority (OWDA) During fiscal year 2002, the City obtained two loans from OWDA. One loan is for the construction of storm sewer lines. The second loan is for the construction of sanitary sewer lines, the dismantling of a primary treatment plant and conversion to a pump station. These loans are paid for from the Debt Service Funds (an Other Governmental Fund).

During fiscal year 2009, the City obtained a loan from OWDA. This loan is for the construction of sanitary sewer lines. This loan is paid for from the Debt Service Funds (an Other Governmental Fund).

During fiscal year 2022, the City obtained a loan from OWDA in the amount of \$3,976,529 for the Columbia/Cook Sanitary Sewer System project. The loan will be repaid over a 20-year period at an interest rate of 1.81%. These loans will be repaid using special assessment revenue from the Sanitary Sewer Fund.

The City's direct borrowings from OWDA in the amount of \$3,417,757 contains provision that in the event of default, the amount of such default shall bear interest at the default rate from the due date until the date of the payment. In addition to the interest, a late charge of one percent on the amount of each defaults shall also be paid to OWDA by the City from the pledged revenues for failure to make payment.

Ohio Public Works Commission (OPWC) – During 2006, the Cities of Olmsted Falls and Berea entered into an agreement that involves the construction of sanitary and storm sewers in the Westlawn/Lindbergh area. As part of this agreement, the City has entered into a loan agreement with the Ohio Public Works Commission (OPWC) in the amount of \$388,070 to help fund some of the construction costs. Although the City of Olmsted Falls is obligated for the entire loan amount, the agreement between the Cities obligates the City of Berea to make annual debt service payments to the City of Olmsted Falls and the City of Olmsted Falls makes the payment to the OPWC. The receipt of funds from the City of Berea and the subsequent payment to OPWC are recorded in the City of Olmsted Falls' General Fund. The project was not capitalized.

During 2022, the City borrowed \$42,441 for the Columbia/Cook Sanitary Sewer Phase V project which will be repaid over a 20-year period. The loan will be repaid from the Sanitary Sewer Fund using special assessment revenue.

The City's direct borrowings from OPWC contain a provision that in an event of default the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts became immediately due. Also, OPWC may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City.

General Obligation Bond - In 2016, the City issued \$1,700,000 of general obligation bonds for the purpose of paying costs of construction, furnishing, equipping, and otherwise improving a new Service Department building. The fifteen-year bonds will be repaid with twenty-nine payments commencing December 1, 2016. The bonds will be repaid from the Capital Improvement Fund.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 11: Long-Term Obligations (continued)

Financed Purchases – In 2023, the City entered into a financed purchase agreement for the purchase of a fire truck. In previous years, the City entered into agreements for the purchase of copiers and police cruisers. All the agreements are secured by the above collateral. The assets are recorded in the governmental activities as shown on the statement of net position.

Compensated Absences - Compensated absences will be paid from the fund from which the employee's salary is paid.

Net Pension Liability/(Asset) and Net OPEB Liability/(Asset) – The City pays obligations related to employee compensation from the fund benefiting from their service. There is no repayment schedule for the Net Pension/OPEB Liability. However, employer pension/OPEB contributions are made from the following funds; the General Fund, Fire Pension Fund, Police Pension Fund, Street Construction, Maintenance, and Repair Fund, Park Maintenance Fund, Storm Sewer Maintenance and Repair Fund, Shade Tree Assessment Fund, Sewer Operation, Maintenance and Repair Fund.

The City's overall legal debt margin was \$22,559,572 and an unvoted debt margin of \$9,545,894 at December 31, 2023. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2023, are as follows:

Year	GO Bonds		OWDA Loans		OPWC
	Principal	Interest	Principal	Interest	Loans Principal
2024	\$ 125,000	\$ 18,209	\$ 243,353	\$ 65,553	\$ 21,526
2025	125,000	15,721	227,110	59,732	21,526
2026	125,000	13,234	209,615	54,822	21,525
2027	130,000	10,746	214,467	50,151	21,525
2028	135,000	8,159	219,438	45,364	21,525
2029-2033	275,000	8,258	756,944	178,174	59,119
2034-2038	-	-	828,306	106,813	10,610
2039-2042	-	-	718,524	29,569	8,488
	<u>\$ 915,000</u>	<u>\$ 74,327</u>	<u>\$ 3,417,757</u>	<u>\$ 590,178</u>	<u>\$ 185,844</u>

Year	Financed Purchases		Total	
	Principal	Interest	Principal	Interest
2024	\$ 59,738	\$ 11,489	\$ 449,617	\$ 95,251
2025	44,050	7,298	417,686	82,751
2026	44,092	4,614	400,232	72,670
2027	42,464	2,229	408,456	63,126
2028	-	-	375,963	53,523
2029-2033	-	-	1,091,063	186,432
2034-2038	-	-	838,916	106,813
2039-2042	-	-	727,012	29,569
	<u>\$ 190,344</u>	<u>\$ 25,630</u>	<u>\$ 4,708,945</u>	<u>\$ 690,135</u>

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 12: Risk Management

The City of Olmsted Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. During 2023, the City contracted through the Arthur J. Gallagher & Co. for various types of insurance as follows:

Company	Type	Coverage
Athur J. Gallagher & Co	Building and Property (including Boiler and Machinery)	\$ 17,555,804
	Flood	1,000,000
	Earthquake	1,000,000
	General Liability	2,000,000
	Public Officials Liability	1,000,000
	Employment Practice Liability	1,000,000
	Law Enforcement Liability	1,000,000
	Forgery and Alteration	50,000
	Electronic Data Processing	50,000
	Employee Benefits Liability	3,000,000
	Automobile Liability	1,000,000
	Automobile Medical Payments	5,000
	Uninsured Motorist Liability	100,000
	Umbrella Liability	5,000,000
	Cyber Liability	1,000,000

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years, and there were no significant reductions in coverage from the prior year. Workers' Compensation coverage is provided by the State. The City pays the Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

#### Note 13: Jointly Governed Organizations

##### A. Northeast Ohio Public Energy Council (NOPEC)

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 13: Jointly Governed Organizations** (Continued)

##### **A. Northeast Ohio Public Energy Council (NOPEC)** (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Olmsted Falls did not contribute to NOPEC during 2023. Financial information can be obtained by contacting Roy McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

##### **B. Chestnut Grove Union Cemetery**

The Chestnut Grove Union Cemetery (The Cemetery) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization between the City of Olmsted Falls and Olmsted Township.

A joint council consisting of the council members of Olmsted Falls and the Trustees of Olmsted Township governs the Cemetery. The joint council elects and appoints the members of the Board of Trustees. The members of the Board of Trustees consist of the following: one elected member of the legislative body from each of the political subdivisions and one appointed resident from either of the political subdivisions who is not a member of the legislative body. The joint council exercises control over the operation of the Cemetery through budgeting, appropriating and contracting. The Board of Trustees control daily operations of the Cemetery. During 2023, the City contributed \$51,789 to the Chestnut Grove Union Cemetery.

##### **C. Joint Economic Development District**

The City of Olmsted Falls and Olmsted Township, in an effort to promote growth and economic development, and in accordance with state law, entered into a contract to create the Olmsted Joint Economic Development District (JEDD). The legislative authorities of the City and Township each authorized and directed authorization to enter into a contract for the JEDD. The JEDD was incorporated on September 7, 2001 and JEDD activities-initiated December 15, 2001.

A Board of Directors governs the JEDD. The Board is composed of the following members: (a) one member representing the City, appointed by the Mayor and approved by the City Council; (b) one member representing the Township, appointed by the Township Trustees; and (c) one member selected by the two members listed. The Board exercises control over the operation of JEDD through budgeting, appropriations, contracting and designating management. The control by the city and township is limited to the representation on the board. During 2023, no contributions were made by the City.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 13: Jointly Governed Organizations (Continued)**

##### **D. Southwest Council of Governments**

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The Council's Board is comprised of one member from each of the nineteen participating entities. The Board exercises total control over the operation of the Council, which includes budgeting, appropriating, contracting, and designating management. The Board adopts an annual budget. Each City's degree of control is limited to its representation on the Board.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. During 2023, \$28,000 was contributed by the City to the Southwest Council of Governments. The Council's financial reports may be obtained by contacting the City of North Royalton Finance Director, 14600 State Road, North Royalton, Ohio 44133.

##### **E. Southwest General Hospital**

The Southwest General Hospital is an Ohio non-profit corporation providing health services among many communities.

The Hospital is governed by a Board of Trustees comprised of the following: one member of the legislative body from each of the member political subdivisions, one resident from each of the member political subdivisions who is not a member of the legislative body, three persons who are residents of any of the member political subdivisions, the president and the vice president of the corporations, and the president and the vice president of the medical staff. The legislative body of each political subdivision elects their own member to serve on the Board of Trustees of the Hospital.

The Board exercises total control over the operations of the Hospital, including budgeting, appropriating, contracting and designating management. Each City's control is limited to its representation on the Board. During 2023, the City contributed \$53,623 to the Hospital.

##### **F. Southwest Regional Communications Council of Governments**

The Southwest Regional Communications is a jointly-governed organization between the City and seven other communities. Formed as a Regional Council of Governments as permitted under Ohio Revised Code Section 167.01, the intent of the organization is to establish, own, operate, maintain, and administer, a regional communications network for public safety and public service purposes for the mutual benefit of the participating communities. This organization is controlled by a governing body consisting of each participating community's mayor or his/her delegate or representative. The degree of control exercised by any member is limited to its representation on the governing board.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 13: Jointly Governed Organizations** (Continued)

##### **F. Southwest Regional Communications Council of Governments** (Continued)

All members agree to contribute the sums of money on a shared basis as agreed per the requirements set forth in the Articles of Understanding. In accordance with GASB Statement No. 14 and amended by GASB Statement No. 61, the City does not have an equity interest in the organization. In 2023, the City of Olmsted Falls contributed \$25,660 to the organization. Financial information may be obtained by contacting Martin S. Healy, 17401 Holland Road, Brook Park, Ohio 44142, or by email at [healymwcc@gmail.com](mailto:healymwcc@gmail.com).

#### **Note 14: Defined Benefit Pension Plans**

##### **A. Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred. The net pension liability/asset represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension. GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### **Note 14: Defined Benefit Pension Plans (Continued)**

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

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

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

<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 62 with 60 months of service credit or Age 57 with 25 years of service credit
<b>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>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>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

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.



## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 14: Defined Benefit Pension Plans** (Continued)

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

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts.

Beginning in 2022, the combined plan was consolidated under the traditional pension plan (defined benefit plan) and the combined plan is longer available for new hires.

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

**Note 14: Defined Benefit Pension Plans** (Continued)

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

Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

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

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

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for 2023 for the Traditional. The portion of the employer’s contribution allocated to health care was 2% for the Combined plan and 4% for the Member-Directed plan for 2023. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$228,429 for the fiscal year ending December 31, 2023. Of this amount, \$9,586 was reported as an Intergovernmental Payable.

**C. 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.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 14: Defined Benefit Pension Plans** (Continued)

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

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.

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA. Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members' base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 14: Defined Benefit Pension Plans (Continued)

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

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 \$302,778 for 2023. Of this amount, \$47,721 is reported as an intergovernmental payable.

#### D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	OPERS Traditional Pension Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.011163%	0.0494115%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.010733%	0.0510476%	
Change in Proportionate Share	-0.000430%	0.0016361%	
 Proportionate Share of the Net Pension Liability	 \$ 3,170,533	 \$ 4,849,023	 \$ 8,019,556
Pension Expense	\$ 466,863	\$ 577,542	\$ 1,044,405

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

**Note 14: Defined Benefit Pension Plans (Continued)**

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

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

	OPERS Traditional Pension Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 903,703	\$ 705,957	\$ 1,609,660
Differences between expected and actual experience	105,311	72,737	178,048
Changes of assumptions	33,495	437,363	470,858
Changes in proportion and differences between City contributions and proportionate share of contributions	10,498	117,308	127,806
City contributions subsequent to the measurement date	<u>228,429</u>	<u>302,778</u>	<u>531,207</u>
Total Deferred Outflows of Resources	<u>\$ 1,281,436</u>	<u>\$ 1,636,143</u>	<u>\$ 2,917,579</u>
<b>Deferred Inflows of Resources</b>			
actual experience	\$ -	\$ 110,477	\$ 110,477
Changes of assumptions	-	94,554	94,554
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>45,652</u>	<u>308,450</u>	<u>354,102</u>
Total Deferred Inflows of Resources	<u>\$ 45,652</u>	<u>\$ 513,481</u>	<u>\$ 559,133</u>

\$531,207 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase the net pension asset in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan	OP&F	Total
Year Ending December 31:			
2024	\$ 102,283	\$ 48,842	\$ 151,125
2025	196,371	169,043	365,414
2026	266,005	210,510	476,515
2027	442,696	385,974	828,670
2028	<u>-</u>	<u>5,515</u>	<u>5,515</u>
Total	<u>\$ 1,007,355</u>	<u>\$ 819,884</u>	<u>\$ 1,827,239</u>

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 14: Defined Benefit Pension Plans (Continued)

##### E. Actuarial Assumptions – OPERS

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

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 14: Defined Benefit Pension Plans** (Continued)

##### **E. Actuarial Assumptions – OPERS** (Continued)

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

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

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

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

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 14: Defined Benefit Pension Plans (Continued)

##### E. Actuarial Assumptions – OPERS (Continued)

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$ 4,749,353	\$ 3,170,533	\$ 1,857,238



## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### Note 14: Defined Benefit Pension Plans (Continued)

##### F. Actuarial Assumptions – OP&F

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

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

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

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

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 14: Defined Benefit Pension Plans (Continued)

#### F. Actuarial Assumptions – OP&F (Continued)

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

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

Note: Assumptions are geometric

\* levered 2.5x

\*\* Geometric mean, net of expected inflation

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

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

**Note 14: Defined Benefit Pension Plans** (Continued)

**F. Actuarial Assumptions – OP&F** (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 6,396,796	\$ 4,849,023	\$ 3,562,358

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## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 15: Defined Benefit OPEB Plans**

##### **A. Net OPEB Liability/Asset**

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

The net OPEB liability/asset represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/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 these estimates annually. Ohio Revised Code limits the City's obligation for this liability/asset to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB. GASB 75 assumes that any liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable.

The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

## *City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

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### **Note 15: Defined Benefit OPEB Plans (Continued)**

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

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

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

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### **Note 15: Defined Benefit OPEB Plans (Continued)**

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

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

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

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

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

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 Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 15: Defined Benefit OPEB Plans (Continued)**

##### **B. Plan Description – Ohio Public Employees Retirement System (OPERS) (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 requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,822 for 2023.

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 15: Defined Benefit OPEB Plans (Continued)**

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was \$7,258 for 2023.



**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

**Note 15: Defined Benefit OPEB Plans** (Continued)

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

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

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

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability/Asset			
Prior Measurement Date	0.010389%	0.0494115%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.010133%	0.0510476%	
Change in Proportionate Share	-0.000256%	0.0016361%	
Proportionate Share of the Net OPEB			
Liability	\$ 63,891	\$ 363,444	\$ 427,335
OPEB Expense	\$ (104,053)	\$ 50,683	\$ (53,370)

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**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

**Note 15: Defined Benefit OPEB Plans** (Continued)

**D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

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

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 21,689	\$ 21,689
Changes of assumptions	62,403	181,118	243,521
Net difference between projected and actual earnings on pension plan investments	126,891	31,172	158,063
Changes in proportion and differences between City contributions and proportionate share of contributions	980	67,041	68,021
City contributions subsequent to the measurement date	2,822	7,258	10,080
Total Deferred Outflows of Resources	\$ 193,096	\$ 308,278	\$ 501,374
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 15,937	\$ 71,660	\$ 87,597
Changes of assumptions	5,135	297,268	302,403
Changes in proportion and differences between City contributions and proportionate share of contributions	1,474	45,135	46,609
Total Deferred Inflows of Resources	\$ 22,546	\$ 414,063	\$ 436,609

\$10,080 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability and increase of the net OPEB asset in 2024.

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

**Note 15: Defined Benefit OPEB Plans (Continued)**

**D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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

	OPERS	OP&F	Total
Year Ending December 31:			
2024	\$ 21,013	\$ 15,558	\$ 36,571
2025	45,849	14,833	60,682
2026	39,569	(20,578)	18,991
2027	61,297	(14,149)	47,148
2028	-	(36,059)	(36,059)
Thereafter	-	(72,648)	(72,648)
Total	\$ 167,728	\$ (113,043)	\$ 54,685

**E. Actuarial Assumptions – OPERS**

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

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

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### Note 15: Defined Benefit OPEB Plans (Continued)

##### E. Actuarial Assumptions – OPERS (Continued)

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

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

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 15: Defined Benefit OPEB Plans (Continued)

##### E. Actuarial Assumptions – OPERS (Continued)

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

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

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

## City of Olmsted Falls, Ohio

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

### Note 15: Defined Benefit OPEB Plans (Continued)

#### E. Actuarial Assumptions – OPERS (Continued)

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

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB liability	\$ 217,454	\$ 63,891	\$ 62,825

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 59,886	\$ 63,891	\$ 68,398

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### Note 15: Defined Benefit OPEB Plans (Continued)

##### F. Actuarial Assumptions – OP&F

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

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

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

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

#### Note 15: Defined Benefit OPEB Plans (Continued)

##### F. Actuarial Assumptions – OP&F

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

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

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

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

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

Note: Assumptions are geometric

\* levered 2.5x



## *City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

### Note 15: Defined Benefit OPEB Plans (Continued)

#### F. Actuarial Assumptions – OP&F (Continued)

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

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

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

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
City's proportionate share of the net OPEB liability	\$ 447,547	\$ 363,444	\$ 292,439

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2023 (Continued)

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#### **Note 16: Contingencies**

##### **A. Grants**

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

##### **B. Litigation**

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

#### **Note 17: 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 basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

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

- 1 Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2 Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3 Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- 4 Encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned fund balance (GAAP basis).
- 5 Some funds are included in the General Fund (GAAP Basis), but have separate legally adopted budgets (budget basis).

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2023  
(Continued)

**Note 17: Budgetary Basis of Accounting** (Continued)

The table on the following page summarize the adjustments necessary to reconcile the budget basis statement to the GAAP basis statement for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$ 757,719
Increase (Decrease) Due to:	
Revenue Accruals	61,375
Expenditure Accruals	(46,341)
Funds with Separate Legally Adopted Budgets	(191,480)
Net Impact of Encumbrances	(172,079)
Budgetary Basis	\$ 409,194

**Note 18: Other Commitments**

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

	Outstanding Encumbrances
General Fund	\$ 172,079
Nonmajor Governmental Funds	580,718
	\$ 752,797

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**City of Olmsted Falls, Ohio**

Required Supplementary Information  
 Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset)  
 Ohio Public Employees Retirement System  
 Last Ten Years

<b>Traditional Plan</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
City's Proportion of the Net Pension Liability	0.010733%	0.011163%	0.010867%	0.010627%
City's Proportionate Share of the Net Pension Liability	\$ 3,170,533	\$ 971,226	\$ 1,609,166	\$ 2,100,499
City's Covered Payroll	\$ 1,663,807	\$ 1,622,979	\$ 1,527,729	\$ 1,495,157
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.56%	59.84%	105.33%	140.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%
<b>Combined Plan</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
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	\$ -	\$ -	\$ 543	\$ -
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 Liability	137.14%	169.88%	157.67%	145.28%

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

See accompanying notes to the required supplementary information

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<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.011357%	0.011540%	0.011760%	0.008991%	0.112100%	0.112100%
\$ 3,110,452	\$ 1,810,402	\$ 2,670,496	\$ 1,557,354	\$ 1,352,050	\$ 1,321,513
\$ 1,533,943	\$ 1,524,992	\$ 1,419,792	\$ 1,230,867	\$ 1,378,900	\$ 1,358,262
202.77%	118.72%	188.09%	126.52%	98.05%	97.29%
74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.000389%	0.022006%	0.021680%	0.015070%	0.016994%	0.016994%
\$ (435)	\$ (29,957)	\$ (12,066)	\$ (7,333)	\$ (6,543)	\$ (1,783)
\$ 1,664	\$ 90,123	\$ 79,825	\$ 54,842	\$ 62,592	\$ 4,500
26.14%	33.24%	15.12%	13.37%	10.45%	39.62%
126.64%	137.28%	116.55%	116.90%	114.83%	104.33%

*City of Olmsted Falls, Ohio*

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

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net Pension Liability	0.051048%	0.049412%	0.053858%	0.057445%
City's Proportionate Share of the Net Pension Liability	\$ 4,849,023	\$ 3,086,946	\$ 3,671,555	\$ 3,869,771
City's Covered Payroll	\$ 1,392,489	\$ 1,260,115	\$ 1,319,958	\$ 1,369,441
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	348.23%	244.97%	278.16%	282.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.90%	75.03%	70.65%	69.89%

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

See accompanying notes to the required supplementary information

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<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.056655%	0.055951%	0.052322%	0.061678%	0.063196%	0.063196%
\$ 4,624,545	\$ 3,433,923	\$ 3,313,992	\$ 3,967,835	\$ 2,225,195	\$ 1,236,028
\$ 1,267,452	\$ 1,199,787	\$ 1,137,065	\$ 1,255,602	\$ 1,264,989	\$ 545,106
364.87%	286.21%	291.45%	316.01%	175.91%	226.75%
63.07%	70.91%	68.36%	66.77%	71.71%	73.00%



***City of Olmsted Falls, Ohio***

Required Supplementary Information  
Schedule of City's Contributions - Pension  
Ohio Public Employees Retirement System  
Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Contractually Required Contributions</u>				
Traditional Plan	\$ 228,429	\$ 232,933	\$ 227,217	\$ 213,882
Combined Plan	-	-	-	76
Total Required Contributions	\$ 228,429	\$ 232,933	\$ 227,217	\$ 213,958
Contributions in Relation to the Contractually Required Contribution	(228,429)	(232,933)	(227,217)	(213,958)
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>City's Covered Payroll</u>				
Traditional Plan	\$ 1,631,636	\$ 1,663,807	\$ 1,622,979	\$ 1,527,729
Combined Plan	-	-	-	543
<u>Pension Contributions as a Percentage of Covered Payroll</u>				
Traditional Plan	14.00%	14.00%	14.00%	14.00%
Combined Plan	14.00%	14.00%	14.00%	14.00%

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>
\$ 209,322	\$ 214,752	\$ 198,249	\$ 170,375	\$ 147,704	\$ 165,468
-	233	11,716	9,579	6,581	7,511
\$ 209,322	\$ 214,985	\$ 209,965	\$ 179,954	\$ 154,285	\$ 172,979
(209,322)	(214,985)	(209,965)	(179,954)	(154,285)	(172,979)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,495,157	\$ 1,533,943	\$ 1,524,992	\$ 1,419,792	\$ 1,230,867	\$ 1,378,900
\$ -	\$ 1,664	\$ 90,123	\$ 79,825	\$ 54,842	\$ 62,592
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

*City of Olmsted Falls, Ohio*

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

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contributions	\$ 302,778	\$ 293,737	\$ 266,652	\$ 279,169
Contributions in Relation to the Contractually Required Contribution	<u>(302,778)</u>	<u>(293,737)</u>	<u>(266,652)</u>	<u>(279,169)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,451,481	\$ 1,392,489	\$ 1,260,115	\$ 1,319,958
Contributions as a Percentage of Covered Payroll	20.86%	21.09%	21.16%	21.15%

See accompanying notes to the required supplementary information

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<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 288,576	\$ 267,190	\$ 254,068	\$ 240,288	\$ 264,728	\$ 265,333
<u>(288,576)</u>	<u>(267,190)</u>	<u>(254,068)</u>	<u>(240,288)</u>	<u>(264,728)</u>	<u>(265,333)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,369,441	\$ 1,267,452	\$ 1,199,787	\$ 1,137,065	\$ 1,255,602	\$ 1,264,989
21.07%	21.08%	21.18%	21.13%	21.08%	20.98%

***City of Olmsted Falls, Ohio***

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's Proportion of the Net OPEB Liability/Asset	0.010133%	0.010389%	0.010124%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 63,891	\$ (325,399)	\$ (180,367)
City's Covered Payroll	\$ 1,686,436	\$ 1,622,979	\$ 1,528,271
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	3.79%	-20.05%	-11.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	94.79%	128.23%	115.57%

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

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

See accompanying notes to the required supplementary information

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<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
0.009897%	0.010587%	0.011400%	0.011710%
\$ 1,367,033	\$ 1,380,295	\$ 1,237,956	\$ 1,182,750
\$ 1,495,157	\$ 1,535,607	\$ 1,615,115	\$ 1,618,956
91.43%	89.89%	76.65%	73.06%
47.80%	46.33%	54.14%	54.04%

*City of Olmsted Falls, Ohio*

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

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's Proportion of the Net OPEB Liability	0.0510476%	0.0494115%	0.0538580%
City's Proportionate Share of the Net OPEB Liability	\$ 363,444	\$ 541,593	\$ 570,635
City's Covered Payroll	\$ 1,392,489	\$ 1,260,115	\$ 1,319,958
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	26.10%	42.98%	43.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.59%	46.86%	45.42%

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

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

See accompanying notes to the required supplementary information

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<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
0.0574445%	0.0566550%	0.0559500%	0.0523200%
\$ 567,422	\$ 515,931	\$ 3,170,066	\$ 2,483,513
\$ 1,369,441	\$ 1,267,452	\$ 1,199,787	\$ 1,137,065
41.43%	40.71%	264.22%	218.41%
47.08%	46.57%	14.13%	15.96%



***City of Olmsted Falls, Ohio***

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 2,822	\$ 905	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>(2,822)</u>	<u>(905)</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,702,186	\$ 1,686,436	\$ 1,622,979	\$ 1,528,271
Contributions as a Percentage of Covered Payroll	0.17%	0.05%	0.00%	0.00%

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

See accompanying notes to the required supplementary information

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<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ -	\$ -	\$ 16,151	\$ 32,673	\$ 23,476
<u>-</u>	<u>-</u>	<u>(16,151)</u>	<u>(32,673)</u>	<u>(23,476)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,495,157	\$ 1,535,607	\$ 1,615,115	\$ 1,618,956	\$ 1,189,807
0.00%	0.00%	1.00%	2.02%	1.97%

*City of Olmsted Falls, Ohio*

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

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 7,258	\$ 6,962	\$ 6,301	\$ 6,600
Contributions in Relation to the Contractually Required Contribution	<u>(7,258)</u>	<u>(6,962)</u>	<u>(6,301)</u>	<u>(6,600)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,451,481	\$ 1,392,489	\$ 1,260,115	\$ 1,319,958
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

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<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 6,848	\$ 6,337	\$ 5,999	\$ 5,685	\$ 6,278	\$ 6,325
<u>(6,848)</u>	<u>(6,337)</u>	<u>(5,999)</u>	<u>(5,685)</u>	<u>(6,278)</u>	<u>(6,325)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,369,441	\$ 1,267,452	\$ 1,199,787	\$ 1,137,065	\$ 1,255,602	\$ 1,264,989
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

## City of Olmsted Falls, Ohio

### Notes to Required Supplementary Information For The Year Ended December 31, 2023

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#### **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

##### ***Net Pension Liability***

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

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

##### ***Net OPEB Liability***

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

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

## City of Olmsted Falls, Ohio

### Notes to Required Supplementary Information For The Year Ended December 31, 2023

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OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034. For 2023, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22% (b) the municipal bond rate changed from 1.84% to 4.05% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2034 to 5.50% initial and 3.50% ultimate in 2036.

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

##### *Net Pension Liability*

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

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

## *City of Olmsted Falls, Ohio*

### Notes to Required Supplementary Information For The Year Ended December 31, 2023

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#### ***Net OPEB Liability***

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

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

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

City of Olmsted Falls  
Cuyahoga County  
26100 Bagley Road  
Olmsted Falls, Ohio 44138

To the Members of the City Council and Mayor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olmsted Falls, Cuyahoga County, Ohio, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Olmsted Falls’ basic financial statements, and have issued our report thereon dated June 14, 2024.

**Report on Internal Control over Financial Reporting**

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



City of Olmsted Falls

Cuyahoga County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

As part of obtaining reasonable assurance about whether the City of Olmsted Falls' 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 of Olmsted Falls' 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 of Olmsted Falls' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

June 14, 2024



# City of Olmsted Falls

26100 Bagley Road, Olmsted Falls, Ohio 44138

Phone: 440-235-5550 Fax: 440-235-8900

www.olmstedfalls.org

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2023

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2022-001	2022	<u>Material Weakness – Financial Reporting</u> – Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Presentation of materially correct financial statements and the related footnotes is the responsibility of management. Adjustments to the financial statements and related notes were necessary to properly report financial activity of the City.	Corrective Action Taken and Finding is Fully Corrected	Not Applicable

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF OLMSTED FALLS**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/27/2024**

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)