

***CITY OF CLEVELAND HEIGHTS,
OHIO***

BASIC FINANCIAL STATEMENTS

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

Prepared by:
Department of Finance



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***Management's Discussion and Analysis
For the Year Ended December 31, 2023***

Unaudited

The discussion and analysis of the City of Cleveland Heights's 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 transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 are as follows:

- ❑ In total, net position increased \$16,005,226. Net position of governmental activities increased \$9,852,842, which represents a 10% increase from 2022. Net position of business-type activities increased \$6,152,384, or 30% from 2022.
- ❑ General revenues accounted for \$56,125,226 in revenue, or 60% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$37,610,091, or 40% of total revenues of \$93,735,317.
- ❑ The City had \$70,882,652 in expenses related to governmental activities; only \$27,560,312 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$56,125,226 were adequate to fully provide for these programs.
- ❑ The general fund had \$68,344,978 in revenues, including other financing sources and \$68,801,105 in expenditures, including other financing uses. The general fund's fund balance decreased \$456,127.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *pension/OPEB required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

***Management's Discussion and Analysis
For the Year Ended December 31, 2023***

Unaudited

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net-position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- ***Governmental Activities*** – Most of the City's programs and services are reported here including general government, public safety, public health services, transportation, community development, sanitation, culture and recreation, and interest and fiscal charges.
- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's sewer and refuse departments are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance governmental programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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Management's Discussion and Analysis For the Year Ended December 31, 2023

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Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are custodial funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position at December 31, 2023 and 2022:

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$151,197,913	\$143,666,364	\$19,638,415	\$16,282,042	\$170,836,328	\$159,948,406
Net Pension Asset	0	160,629	0	41,922	0	202,551
Net OPEB Asset	0	1,922,133	0	501,652	0	2,423,785
Capital Assets, Net	81,371,751	81,229,428	15,572,743	11,760,505	96,944,494	92,989,933
Total Assets	232,569,664	226,978,554	35,211,158	28,586,121	267,780,822	255,564,675
Deferred Outflows of Resources	30,645,021	18,655,515	2,030,278	1,534,956	32,675,299	20,190,471
Net Pension Liability	70,204,984	39,187,551	4,241,592	1,448,794	74,446,576	40,636,345
Net OPEB Liability	4,321,980	5,901,366	86,076	0	4,408,056	5,901,366
Long-Term Liabilities	23,087,215	25,218,532	5,037,231	5,579,592	28,124,446	30,798,124
Other Liabilities	39,371,681	41,513,525	1,159,962	393,543	40,531,643	41,907,068
Total Liabilities	136,985,860	111,820,974	10,524,861	7,421,929	147,510,721	119,242,903
Deferred Inflows of Resources	19,058,876	36,495,988	192,962	2,327,919	19,251,838	38,823,907
Net Position						
Net Investment in Capital Assets	63,722,758	62,029,051	10,538,264	6,689,848	74,261,022	68,718,899
Restricted	24,065,927	27,072,029	0	0	24,065,927	27,072,029
Unrestricted	19,381,264	8,216,027	15,985,349	13,681,381	35,366,613	21,897,408
Total Net Position	\$107,169,949	\$97,317,107	\$26,523,613	\$20,371,229	\$133,693,562	\$117,688,336

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability (NOL) is reported by the City pursuant to 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.

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.

***Management's Discussion and Analysis
For the Year Ended December 31, 2023***

Unaudited

This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

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

CITY OF CLEVELAND HEIGHTS, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2023**

Unaudited

Change in Net Position – The following table shows the change in net position for 2023 and 2022:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for Services and Sales	\$18,203,841	\$16,952,982	\$7,547,245	\$8,876,275	\$25,751,086	\$25,829,257
Operating Grants and Contributions	7,959,609	5,559,254	29,250	438,024	7,988,859	5,997,278
Capital Grants and Contributions	1,396,862	0	2,473,284	1,732,530	3,870,146	1,732,530
Total Program Revenues	27,560,312	22,512,236	10,049,779	11,046,829	37,610,091	33,559,065
General Revenues:						
Property Taxes	10,611,045	10,878,082	0	0	10,611,045	10,878,082
Municipal Income Taxes	35,326,589	35,123,309	0	0	35,326,589	35,123,309
Intergovernmental, Unrestricted	3,266,911	3,886,748	0	0	3,266,911	3,886,748
Franchise Taxes	317,720	545,788	0	0	317,720	545,788
Investment Earnings	4,758,432	753,947	0	0	4,758,432	753,947
Miscellaneous	1,844,529	1,385,048	0	0	1,844,529	1,385,048
Total General Revenues	56,125,226	52,572,922	0	0	56,125,226	52,572,922
Total Revenues	83,685,538	75,085,158	10,049,779	11,046,829	93,735,317	86,131,987
Program Expenses						
General Government	21,642,479	21,109,697	0	0	21,642,479	21,109,697
Public Safety	28,521,940	21,599,504	0	0	28,521,940	21,599,504
Public Health Services	412,735	343,096	0	0	412,735	343,096
Transportation	8,302,703	5,403,603	0	0	8,302,703	5,403,603
Community Development	6,838,537	3,820,227	0	0	6,838,537	3,820,227
Culture and Recreation	4,658,938	3,030,873	0	0	4,658,938	3,030,873
Interest on Long Term Debt	505,320	560,845	0	0	505,320	560,845
Sewer	0	0	2,691,066	1,870,935	2,691,066	1,870,935
Refuse	0	0	4,156,373	4,282,630	4,156,373	4,282,630
Total Expenses	70,882,652	55,867,845	6,847,439	6,153,565	77,730,091	62,021,410
Excess (Deficiency) Before Transfers and Special Items	12,802,886	19,217,313	3,202,340	4,893,264	16,005,226	24,110,577
Transfers	(2,950,044)	(1,214,413)	2,950,044	1,214,413	0	0
Total Change in Net Position	9,852,842	18,002,900	6,152,384	6,107,677	16,005,226	24,110,577
Beginning Net Position - Restated	97,317,107	79,314,207	20,371,229	14,263,552	117,688,336	93,577,759
Ending Net Position	\$107,169,949	\$97,317,107	\$26,523,613	\$20,371,229	\$133,693,562	\$117,688,336

CITY OF CLEVELAND HEIGHTS, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2023

Unaudited

Governmental Activities

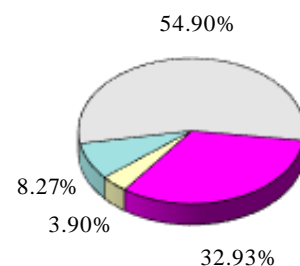
Governmental activities net position increased \$9,852,842, or 10%. An increase in charges for services was the result of an increase in building permits, which can be attributed to new construction in the City. An increase in operating grants can be attributed to various public safety and public health grants. Capital grants consisted of County and State grants for infrastructure improvements. An increase in investment earnings can be attributed to an increase in interest rates.

A substantial increase in expenses was the result of changes in the net pension and net OPEB liabilities.

The City also receives an income tax, which is based on 2.25% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City and businesses operating in the City.

Taxes made up 55% of revenues for governmental activities in 2023. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2023	Percent of Total
Taxes	\$45,937,634	54.90%
Program Revenues	27,560,312	32.93%
Intergovernmental, Unrestricted	3,266,911	3.90%
General Other	6,920,681	8.27%
Total Revenue	\$83,685,538	100.00%



Business-Type Activities

Net position of the business-type activities increased \$6,152,384, or 30%. A decrease in charges for services can be attributed to assessment collections in the prior year. An increase in expenses was the result of changes in the net pension and net OPEB liabilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$80,483,440, which is an increase from last year's balance of \$69,616,464. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2023 and 2022:

	Fund Balance December 31, 2023	Fund Balance December 31, 2022	Increase (Decrease)
General	\$39,657,528	\$40,113,655	(\$456,127)
Local Fiscal Recovery	0	0	0
Other Governmental	40,825,912	29,502,809	11,323,103
Total	\$80,483,440	\$69,616,464	\$10,866,976

CITY OF CLEVELAND HEIGHTS, OHIO**Management's Discussion and Analysis
For the Year Ended December 31, 2023****Unaudited**

General Fund – The City's General Fund balance change is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2023 Revenues	2022 Revenues	Increase (Decrease)
Property Taxes	\$9,714,066	\$8,465,611	\$1,248,455
Municipal Income Taxes	34,871,439	34,526,469	344,970
Charges for Services	7,808,988	7,887,363	(78,375)
Licenses, Permits and Fees	3,213,913	2,233,797	980,116
Fines and Forfeitures	1,708,468	1,854,185	(145,717)
Intergovernmental Revenues	4,215,662	3,593,724	621,938
Investment Earnings	4,761,385	739,825	4,021,560
Franchise Taxes	317,720	545,788	(228,068)
All Other Revenue	1,707,347	1,188,411	518,936
Total	<u>\$68,318,988</u>	<u>\$61,035,173</u>	<u>\$7,283,815</u>

General Fund revenues increased approximately 12% when compared to 2022 revenues. An increase in income taxes can be attributed to improving economic conditions. An increase in licenses, permits and fees was the result of an increase in building permits, which can be attributed to new construction in the City. An increase in investment earnings can be attributed to an increase in interest rates.

	2023 Expenditures	2022 Expenditures	Increase (Decrease)
Current:			
General Government	\$22,565,951	\$22,279,108	\$286,843
Public Safety	19,094,364	17,560,839	1,533,525
Public Health Services	427,349	386,597	40,752
Transportation	4,141,905	3,726,627	415,278
Community Development	3,473,693	2,655,148	818,545
Culture and Recreation	2,139,843	2,112,218	27,625
Total	<u>\$51,843,105</u>	<u>\$48,720,537</u>	<u>\$3,122,568</u>

General Fund expenditures increased \$3,122,568, or approximately 6% from the prior year. An increase in public safety can be attributed to an increase in hospitalization insurance costs. Increases in transportation included increases in vehicle maintenance and street maintenance costs. An increase in community development was the result of an increase in costs for building inspections.

Local Fiscal Recovery Fund – The City reported the expenditure of \$1,734,192 of State and Local Fiscal Recovery funds, received as part of the American Rescue Plan Act. The remaining \$33,630,638 balance of unspent funds are reflected on the balance sheet as unearned revenue.

***Management's Discussion and Analysis
For the Year Ended December 31, 2023***

Unaudited

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2023 the City amended its General Fund budget several times.

For the General Fund, original and final revenue estimates were not significantly different. Actual budget basis revenues were 6% higher than final estimates due to increases in investment earnings. Original budgeted and final budgeted expenditures were not materially different. Actual budget basis expenditures were 14% less than final estimates due to controlling of costs across all General Fund departments. The General Fund had an adequate fund balance to cover expenditures.

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CITY OF CLEVELAND HEIGHTS, OHIO**Management's Discussion and Analysis
For the Year Ended December 31, 2023****Unaudited****CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

At the end of 2023 the City had \$96,944,494 net of accumulated depreciation invested in land, construction in progress, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure. Of this total, \$81,371,751 was related to governmental activities and \$15,572,743 to the business-type activities. The following tables show 2023 and 2022 balances:

	Governmental Activities		Increase (Decrease)
	2023	Restated 2022	
Land	\$12,706,966	\$12,706,966	\$0
Construction in Progress	1,042,165	0	1,042,165
Intangible Assets	0	0	0
Land Improvements	10,724,143	10,724,143	0
Buildings and Improvements	52,611,413	50,942,767	1,668,646
Machinery and Equipment	32,862,264	30,212,306	2,649,958
Infrastructure	75,976,567	75,254,745	721,822
Less: Accumulated Depreciation	(104,551,767)	(98,611,499)	(5,940,268)
Totals	<u>\$81,371,751</u>	<u>\$81,229,428</u>	<u>\$142,323</u>

Significant governmental activities capital asset additions included improvements to the North ice rink and improvements to East Overlook Road. Machinery and equipment additions included park department vehicles, public safety vehicles, and other various equipment.

	Business-Type Activities		Increase (Decrease)
	2023	Restated 2022	
Land	\$45,526	\$45,526	\$0
Construction in Progress	1,731,932	0	1,731,932
Land Improvements	202,434	202,434	0
Buildings and Improvements	20,380	20,380	0
Machinery and Equipment	9,577,744	9,280,733	297,011
Infrastructure	14,453,361	11,779,811	2,673,550
Less: Accumulated Depreciation	(10,458,634)	(9,568,379)	(890,255)
Totals	<u>\$15,572,743</u>	<u>\$11,760,505</u>	<u>\$3,812,238</u>

Additions to machinery and equipment in Business-Type capital assets included a truck and a back-hoe. Infrastructure additions consisted of various sanitary sewer improvements. Additional information on the City's capital assets can be found in Note 8.

CITY OF CLEVELAND HEIGHTS, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2023****Unaudited**

Long-Term Debt and Other Long-Term Obligations

The following table summarizes the City's long-term debt and other long-term obligations outstanding as of December 31, 2023 and 2022:

	2023	2022
Governmental Activities:		
General Obligation Bonds	\$14,428,000	\$15,395,000
Special Assessment Bonds	1,366,000	1,516,000
Ohio Public Works Commission Loans	1,400,304	1,554,543
Ohio Water Development Authority Loans	123,005	138,053
Compensated Absences	4,249,846	4,175,523
Workers' Compensation Liability	0	667,963
Installment Loans	1,467,060	1,718,450
Police and Firemen's Accrued Pension	53,000	53,000
Total Governmental Activities	23,087,215	25,218,532
Business-Type Activities:		
General Obligation Bonds	615,000	696,000
Ohio Water Development Authority Loans	3,656,180	4,079,475
Ohio Public Works Commission Loans	80,372	103,336
Compensated Absences	498,414	499,079
Solid Waste Liability	187,265	201,702
Total Business-Type Activities	5,037,231	5,579,592
Totals	\$28,124,446	\$30,798,124

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2023, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

CURRENT FINANCIAL RELATED ACTIVITES

The Administration and City Council developed a capital improvement plan for the aging sewer system. This plan includes an investment of approximately \$12 million to control the sewer overflow and improve the efficiency of the sewer. In order to offset these costs, the City set up a sewer rate increase plan which was implemented in 2017.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional information contact the Finance Department, City of Cleveland Heights, 40 Severance Circle, Cleveland Heights, Ohio 44118, telephone 216-291-4444.

CITY OF CLEVELAND HEIGHTS, OHIO

**Statement of Net Position
December 31, 2023**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	\$ 90,664,231	\$ 19,349,903	\$ 110,014,134
Receivables:			
Accounts	4,238,176	3,775,586	8,013,762
Intergovernmental	3,093,759	0	3,093,759
Interest	327,133	0	327,133
Income Taxes	15,409,535	0	15,409,535
Property Taxes	12,329,242	0	12,329,242
Special Assessments	4,476,815	910,925	5,387,740
Leases	88,734	0	88,734
Loans	3,016,456	0	3,016,456
Settlement	170,215	0	170,215
Internal Balances	4,400,000	(4,400,000)	0
Inventory of Supplies at Cost	1,009,955	2,001	1,011,956
Assets Held for Resale	1,006,901	0	1,006,901
Economic Development Properties	7,964,400	0	7,964,400
Prepaid Items	531,116	0	531,116
Restricted Assets:			
Cash and Cash Equivalents	1,271,245	0	1,271,245
Cash and Cash Equivalents with Fiscal Agent	1,200,000	0	1,200,000
Capital Assets:			
Capital Assets Not Being Depreciated	13,749,131	1,777,458	15,526,589
Capital Assets Being Depreciated, Net	67,622,620	13,795,285	81,417,905
Total Assets	232,569,664	35,211,158	267,780,822
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	1,135,376	0	1,135,376
Pension	25,207,420	1,775,257	26,982,677
OPEB	4,302,225	255,021	4,557,246
Total Deferred Outflows of Resources	30,645,021	2,030,278	32,675,299

(Continued)

CITY OF CLEVELAND HEIGHTS, OHIO

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Accounts Payable	1,904,099	996,080	2,900,179
Accrued Wages and Benefits	490,573	53,577	544,150
Intergovernmental Payable	1,550,004	78,168	1,628,172
Payroll Withholding	923,544	0	923,544
Unearned Revenue	33,613,573	0	33,613,573
Deposits Held Payable	856,476	0	856,476
Accrued Interest Payable	33,412	32,137	65,549
Noncurrent Liabilities:			
Due Within One Year	2,349,578	721,492	3,071,070
Due in More Than One Year:			
Net Pension Liability	70,204,984	4,241,592	74,446,576
Net OPEB Liability	4,321,980	86,076	4,408,056
Other Amounts Due in More Than One Year	20,737,637	4,315,739	25,053,376
Total Liabilities	136,985,860	10,524,861	147,510,721
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	10,263,318	0	10,263,318
Leases	91,338	0	91,338
Pension	3,291,258	164,573	3,455,831
OPEB	5,412,962	28,389	5,441,351
Total Deferred Inflows of Resources	19,058,876	192,962	19,251,838
Net Position:			
Net Investment in Capital Assets	63,722,758	10,538,264	74,261,022
Restricted For:			
Debt Service	2,129,507	0	2,129,507
Capital Projects	1,115,871	0	1,115,871
Road Improvements	5,546,508	0	5,546,508
Community Development	8,087,597	0	8,087,597
Municipal Court Special Projects	2,385,573	0	2,385,573
Street Lighting	2,209,982	0	2,209,982
Public Safety	1,718,594	0	1,718,594
Drug and Law Enforcement	747,012	0	747,012
Other Purposes	125,283	0	125,283
Unrestricted (Deficit)	19,381,264	15,985,349	35,366,613
Total Net Position	\$ 107,169,949	\$ 26,523,613	\$ 133,693,562

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO**Statement of Activities
For the Year Ended December 31, 2023**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 21,642,479	\$ 8,359,024	\$ 2,315,335	\$ 896,862
Public Safety	28,521,940	6,553,192	1,155,259	500,000
Public Health Services	412,735	203,610	4,748	0
Transportation	8,302,703	424,326	2,136,228	0
Community Development	6,838,537	671,522	2,202,012	0
Culture and Recreation	4,658,938	1,992,167	146,027	0
Interest on Long Term Debt	505,320	0	0	0
Total Governmental Activities	70,882,652	18,203,841	7,959,609	1,396,862
Business-Type Activities:				
Sewer	2,691,066	4,250,094	0	2,473,284
Refuse	4,156,373	3,297,151	29,250	0
Total Business-Type Activities	6,847,439	7,547,245	29,250	2,473,284
Totals	\$ 77,730,091	\$ 25,751,086	\$ 7,988,859	\$ 3,870,146

General Revenues and Transfers

Property Taxes

Municipal Income Taxes

Intergovernmental, Unrestricted

Franchise Taxes

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (10,071,258)	\$ 0	\$ (10,071,258)
(20,313,489)	0	(20,313,489)
(204,377)	0	(204,377)
(5,742,149)	0	(5,742,149)
(3,965,003)	0	(3,965,003)
(2,520,744)	0	(2,520,744)
(505,320)	0	(505,320)
(43,322,340)	0	(43,322,340)
0	4,032,312	4,032,312
0	(829,972)	(829,972)
0	3,202,340	3,202,340
\$ (43,322,340)	\$ 3,202,340	\$ (40,120,000)
10,611,045	0	10,611,045
35,326,589	0	35,326,589
3,266,911	0	3,266,911
317,720	0	317,720
4,758,432	0	4,758,432
1,844,529	0	1,844,529
(2,950,044)	2,950,044	0
53,175,182	2,950,044	56,125,226
9,852,842	6,152,384	16,005,226
97,317,107	20,371,229	117,688,336
\$ 107,169,949	\$ 26,523,613	\$ 133,693,562

CITY OF CLEVELAND HEIGHTS, OHIO

Balance Sheet Governmental Funds December 31, 2023

	General	Local Fiscal Recovery	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	\$ 28,032,960	\$ 33,630,638	\$ 29,000,633	\$ 90,664,231
Receivables:				
Accounts	46,890	0	4,191,286	4,238,176
Intergovernmental	1,476,583	0	1,617,176	3,093,759
Interest	0	0	327,133	327,133
Income Taxes	15,409,535	0	0	15,409,535
Property Taxes	9,569,325	0	2,759,917	12,329,242
Special Assessments	1,735,096	0	2,741,719	4,476,815
Leases	0	0	88,734	88,734
Loans	0	0	3,016,456	3,016,456
Settlement	0	0	170,215	170,215
Interfund Receivable	5,202,897	0	0	5,202,897
Inventory of Supplies, at Cost	955,955	0	54,000	1,009,955
Assets Held for Resale	0	0	1,006,901	1,006,901
Prepaid Items	531,116	0	0	531,116
Economic Development Properties	0	0	7,964,400	7,964,400
Restricted Assets:				
Cash and Cash Equivalents	1,027,467	0	243,778	1,271,245
Cash and Cash Equivalents with Fiscal Agent	0	0	1,200,000	1,200,000
Total Assets	\$ 63,987,824	\$ 33,630,638	\$ 54,382,348	\$ 152,000,810
Liabilities:				
Accounts Payable	\$ 931,646	\$ 17,113	\$ 955,340	\$ 1,904,099
Accrued Wages and Benefits Payable	457,549	0	33,024	490,573
Intergovernmental Payable	394,353	0	1,155,651	1,550,004
Payroll Withholding	923,544	0	0	923,544
Interfund Payable	0	0	802,897	802,897
Deposits Held Payable	856,476	0	0	856,476
Unearned Revenue	0	33,613,525	48	33,613,573
Total Liabilities	3,563,568	33,630,638	2,946,960	40,141,166
Deferred Inflows of Resources:				
Unavailable Amounts	12,797,578	0	8,223,970	21,021,548
Property Tax Levy for Next Fiscal Year	7,969,150	0	2,294,168	10,263,318
Leases	0	0	91,338	91,338
Total Deferred Inflows of Resources	20,766,728	0	10,609,476	31,376,204
Fund Balances:				
Nonspendable	6,860,608	0	54,000	6,914,608
Restricted	0	0	19,856,014	19,856,014
Committed	0	0	3,217,171	3,217,171
Assigned	1,120,383	0	17,698,727	18,819,110
Unassigned	31,676,537	0	0	31,676,537
Total Fund Balances	39,657,528	0	40,825,912	80,483,440
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 63,987,824	\$ 33,630,638	\$ 54,382,348	\$ 152,000,810

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO

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

Total Governmental Fund Balances		\$ 80,483,440
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		81,371,751
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		21,021,548
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	25,207,420	
Deferred Inflows - Pension	(3,291,258)	
Net Pension Liability	(70,204,984)	
Deferred Outflows - OPEB	4,302,225	
Deferred Inflows - OPEB	(5,412,962)	
Net OPEB Liability	<u>(4,321,980)</u>	(53,721,539)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(14,428,000)	
Deferred Charge on Debt Refunding	1,135,376	
Installment Loans Payable	(1,467,060)	
Ohio Public Works Commission Loans Payable	(1,400,304)	
Special Assessment Bonds Payable	(1,366,000)	
Ohio Water Development Authority Loan Payable	(123,005)	
Compensated Absences Payable	(4,249,846)	
Asset Retirement Obligation	(53,000)	
Accrued Interest Payable	<u>(33,412)</u>	<u>(21,985,251)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 107,169,949</u></u>

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO

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

	General	Local Fiscal Recovery	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 9,714,066	\$ 0	\$ 2,724,237	\$ 12,438,303
Municipal Income Taxes	34,871,439	0	0	34,871,439
Charges for Services	7,808,988	0	2,635,136	10,444,124
Licenses, Permits and Fees	3,213,913	0	20,035	3,233,948
Fines and Forfeitures	1,708,468	0	529,125	2,237,593
Intergovernmental Revenues	4,215,662	1,734,192	6,799,384	12,749,238
Special Assessments	0	0	2,266,106	2,266,106
Investment Earnings	4,761,385	0	14,883	4,776,268
Lease Revenue	0	0	21,597	21,597
Contributions and Donations	0	0	19,567	19,567
Franchise Taxes	317,720	0	0	317,720
All Other Revenues	1,707,347	0	148,980	1,856,327
Total Revenues	68,318,988	1,734,192	15,179,050	85,232,230
Expenditures:				
Current:				
General Government	22,565,951	1,534,192	835,906	24,936,049
Public Safety	19,094,364	200,000	5,911,036	25,205,400
Public Health Services	427,349	0	1,453	428,802
Transportation	4,141,905	0	1,858,854	6,000,759
Community Development	3,473,693	0	3,355,088	6,828,781
Culture and Recreation	2,139,843	0	2,190,586	4,330,429
Capital Outlay	0	0	1,761,424	1,761,424
Debt Service:				
Principal Retirement	0	0	1,537,677	1,537,677
Interest and Fiscal Charges	0	0	411,879	411,879
Total Expenditures	51,843,105	1,734,192	17,863,903	71,441,200
Excess (Deficiency) of Revenues Over Expenditures	16,475,883	0	(2,684,853)	13,791,030
Other Financing Sources (Uses):				
Sale of Capital Assets	25,990	0	0	25,990
Transfers In	0	0	14,168,750	14,168,750
Transfers Out	(16,958,000)	0	(160,794)	(17,118,794)
Total Other Financing Sources (Uses)	(16,932,010)	0	14,007,956	(2,924,054)
Net Change in Fund Balances	(456,127)	0	11,323,103	10,866,976
Fund Balance at Beginning of Year	40,113,655	0	29,502,809	69,616,464
Fund Balance End of Year	\$ 39,657,528	\$ 0	\$ 40,825,912	\$ 80,483,440

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds **\$ 10,866,976**

*Amounts reported for governmental activities in the statement of
activities are different because*

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

Capital Outlay	6,082,591	
Depreciation Expense	(5,940,268)	142,323

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,546,692)

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

Pension	4,549,501	
OPEB	74,758	4,624,259

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

Pension	(7,538,818)	
OPEB	1,266,918	(6,271,900)

The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

General Obligation Bond Principal Retirement	967,000	
Amortization of Deferred Loss on Refunding	(93,084)	
Installment Loan Retirement	251,390	
Ohio Public Works Commission Loan Retirement	154,239	
Special Assessment Bond Principal Retirement	150,000	
Ohio Water Development Authority Loan Retirement	15,048	1,444,593

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (357)

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 the governmental funds.

Compensated Absences	(74,323)	
Workers' Compensation Retrospective Liability	667,963	593,640

Change in Net Position of Governmental Activities **\$ 9,852,842**

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, 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***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 8,197,265	\$ 8,197,265	\$ 8,496,341	\$ 299,076
Municipal Income Taxes	35,150,000	35,150,000	34,866,294	(283,706)
Charges for Services	7,765,750	8,065,750	7,803,174	(262,576)
Licenses, Permits and Fees	2,529,750	2,529,750	3,220,446	690,696
Fines and Forfeitures	1,630,000	1,630,000	1,292,581	(337,419)
Intergovernmental Revenues	4,724,233	4,324,233	4,293,610	(30,623)
Investment Earnings	375,000	375,000	4,003,490	3,628,490
Franchise Taxes	505,540	505,540	431,243	(74,297)
All Other Revenues	1,172,775	1,172,775	1,614,279	441,504
Total Revenues	62,050,313	61,950,313	66,021,458	4,071,145
Expenditures:				
Current:				
General Government	25,885,351	25,984,859	22,128,404	3,856,455
Public Safety	20,600,325	21,337,325	19,636,185	1,701,140
Public Health Services	456,022	458,022	429,849	28,173
Transportation	4,537,052	4,701,552	4,244,114	457,438
Community Development	4,484,051	5,031,415	3,880,187	1,151,228
Culture and Recreation	2,371,806	2,570,661	2,261,057	309,604
Debt Service:				
Principal Retirement	67,251	67,251	0	67,251
Total Expenditures	58,401,858	60,151,085	52,579,796	7,571,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,648,455	1,799,228	13,441,662	11,642,434
Other Financing Sources (Uses):				
Sale of Capital Assets	10,000	10,000	25,990	15,990
Transfers In	150,000	1,000,000	1,000,000	0
Transfers Out	(5,245,000)	(18,358,000)	(18,358,000)	0
Total Other Financing Sources (Uses):	(5,085,000)	(17,348,000)	(17,332,010)	15,990
Net Changes in Fund Balance	(1,436,545)	(15,548,772)	(3,890,348)	11,658,424
Fund Balance at Beginning of Year	26,486,664	26,486,664	26,486,664	0
Prior Year Encumbrances	1,668,112	1,668,112	1,668,112	0
Fund Balance at End of Year	\$ 26,718,231	\$ 12,606,004	\$ 24,264,428	\$ 11,658,424

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO

***Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Local Fiscal Recovery Fund
For the Year Ended December 31, 2023***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
General Government	27,191,704	8,919,199	7,888,943	1,030,256
Public Safety	540,000	942,218	942,218	0
Total Expenditures	27,731,704	9,861,417	8,831,161	1,030,256
Net Change in Fund Balance	(27,731,704)	(9,861,417)	(8,831,161)	1,030,256
Fund Balance at Beginning of Year	37,760,963	37,760,963	37,760,963	0
Prior Year Encumbrances	138,381	138,381	138,381	0
Fund Balance at End of Year	<u>\$ 10,167,640</u>	<u>\$ 28,037,927</u>	<u>\$ 29,068,183</u>	<u>\$ 1,030,256</u>

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Refuse	Total
Assets:			
Current Assets:			
Pooled Cash and Investments	\$ 11,236,536	\$ 8,113,367	\$ 19,349,903
Receivables:			
Accounts	2,374,769	1,400,817	3,775,586
Special Assessments	563,906	347,019	910,925
Inventory of Supplies at Cost	2,001	0	2,001
Total Current Assets	14,177,212	9,861,203	24,038,415
Noncurrent Assets:			
Capital Assets:			
Capital Assets Not Being Depreciated	1,777,458	0	1,777,458
Capital Assets Being Depreciated, Net	10,905,949	2,889,336	13,795,285
Total Noncurrent Assets	12,683,407	2,889,336	15,572,743
Total Assets	26,860,619	12,750,539	39,611,158
Deferred Outflows of Resources:			
Pension	721,670	1,053,587	1,775,257
OPEB	100,083	154,938	255,021
Total Deferred Outflows of Resources	821,753	1,208,525	2,030,278
Liabilities:			
Current Liabilities:			
Accounts Payable	946,143	49,937	996,080
Accrued Wages and Benefits	17,987	35,590	53,577
Intergovernmental Payable	40,269	37,899	78,168
Interfund Payable	0	4,400,000	4,400,000
Accrued Interest Payable	934	31,203	32,137
General Obligation Bonds Payable - Current	97,000	0	97,000
OWDA Loans Payable - Current	0	430,496	430,496
OPWC Loans Payable - Current	22,964	0	22,964
Compensated Absences Payable - Current	66,732	104,300	171,032
Total Current Liabilities	1,192,029	5,089,425	6,281,454

(Continued)

CITY OF CLEVELAND HEIGHTS, OHIO

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Refuse	Total
Noncurrent Liabilities:			
General Obligation Bonds Payable	404,000	114,000	518,000
OWDA Loans Payable	0	3,225,684	3,225,684
OPWC Loans Payable	57,408	0	57,408
Landfill Postclosure Care Liability	0	187,265	187,265
Compensated Absences Payable	79,608	247,774	327,382
Net Pension Liability	1,664,609	2,576,983	4,241,592
Net OPEB Liability	33,780	52,296	86,076
Total Noncurrent Liabilities	2,239,405	6,404,002	8,643,407
Total Liabilities	3,431,434	11,493,427	14,924,861
Deferred Inflows of Resources:			
Pension	64,589	99,984	164,573
OPEB	11,141	17,248	28,389
Total Deferred Inflows of Resources	75,730	117,232	192,962
Net Position			
Net Investment in Capital Assets	11,419,108	(880,844)	10,538,264
Unrestricted	12,756,100	3,229,249	15,985,349
Total Net Position	\$ 24,175,208	\$ 2,348,405	\$ 26,523,613

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-Type Activities Enterprise Funds		
	Sewer	Refuse	Total
Operating Revenues:			
Charges for Services	\$ 4,248,823	\$ 3,291,820	\$ 7,540,643
Other Operating Revenues	1,271	5,331	6,602
Total Operating Revenues	<u>4,250,094</u>	<u>3,297,151</u>	<u>7,547,245</u>
Operating Expenses:			
Personal Services	1,500,101	2,854,717	4,354,818
Other Than Personal Services	716,910	805,808	1,522,718
Depreciation	460,927	429,328	890,255
Total Operating Expenses	<u>2,677,938</u>	<u>4,089,853</u>	<u>6,767,791</u>
Operating Income (Loss)	1,572,156	(792,702)	779,454
Non-Operating Revenue (Expenses):			
Interest and Fiscal Charges	(13,128)	(66,520)	(79,648)
Intergovernmental Grants	0	29,250	29,250
Total Non-Operating Revenues (Expenses)	<u>(13,128)</u>	<u>(37,270)</u>	<u>(50,398)</u>
Income (Loss) Before Transfers and Contributions	1,559,028	(829,972)	729,056
Transfers and Contributions:			
Transfers In	117,266	2,832,778	2,950,044
Capital Contributions	2,473,284	0	2,473,284
Total Transfers and Contributions	<u>2,590,550</u>	<u>2,832,778</u>	<u>5,423,328</u>
Change in Net Position	4,149,578	2,002,806	6,152,384
Net Position Beginning of Year - Restated	20,025,630	345,599	20,371,229
Net Position End of Year	<u>\$ 24,175,208</u>	<u>\$ 2,348,405</u>	<u>\$ 26,523,613</u>

See accompanying notes to the basic financial statements



CITY OF CLEVELAND HEIGHTS, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2023

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Refuse	Total
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$5,251,465	\$3,317,664	\$8,569,129
Cash Payments for Goods and Services	(666,672)	(812,529)	(1,479,201)
Cash Payments to Employees	(1,419,241)	(2,138,707)	(3,557,948)
Net Cash Provided by Operating Activities	3,165,552	366,428	3,531,980
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	117,266	2,832,778	2,950,044
Operating Grants	0	29,250	29,250
Net Cash Provided by Noncapital Financing Activities	117,266	2,862,028	2,979,294
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(3,923,972)	(65,112)	(3,989,084)
Capital Contributions	2,473,284	0	2,473,284
Principal Paid on Ohio Water Development Authority Loans	0	(423,295)	(423,295)
Principal Paid on Ohio Public Works Commission Loans	(22,964)	0	(22,964)
General Obligation Bond Principal Payment	(81,000)	0	(81,000)
Interest Paid on All Debt	(13,302)	(70,106)	(83,408)
Net Cash Used by Capital and Related Financing Activities	(1,567,954)	(558,513)	(2,126,467)
Increase in Cash and Cash Equivalents	1,714,864	2,669,943	4,384,807
Cash and Cash Equivalents at Beginning of Year	9,521,672	5,443,424	14,965,096
Cash and Cash Equivalents at End of Year	\$11,236,536	\$8,113,367	\$19,349,903

(Continued)

CITY OF CLEVELAND HEIGHTS, OHIO

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Refuse	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	\$1,572,156	(\$792,702)	\$779,454
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	460,927	429,328	890,255
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
(Increase) Decrease in Accounts Receivable	462,827	(184,705)	278,122
Decrease in Special Assessment Receivable	538,544	205,218	743,762
Decrease in Inventory	6,550	0	6,550
Decrease in Net Pension Asset	15,905	26,017	41,922
Decrease in Net OPEB Asset	190,331	311,321	501,652
Increase in Deferred Outflows	(454,967)	(40,355)	(495,322)
Increase in Accounts Payable	86,750	2,621	89,371
Increase (Decrease) in Intergovernmental Payable	(42,952)	6,989	(35,963)
Increase (Decrease) in Accrued Wages and Benefits	(169)	3,531	3,362
Decrease in Solid Waste Liability	0	(14,437)	(14,437)
Increase (Decrease) in Compensated Absences	13,809	(14,474)	(665)
Increase in Net Pension Liability	1,114,925	1,677,873	2,792,798
Increase in Net OPEB Liability	33,780	52,296	86,076
Decrease in Deferred Inflows	(832,864)	(1,302,093)	(2,134,957)
Total Adjustments	1,593,396	1,159,130	2,752,526
Net Cash Provided by Operating Activities	\$3,165,552	\$366,428	\$3,531,980

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO

***Statement of Net Position
Fiduciary Fund
December 31, 2023***

	<u>Custodial</u>
Assets:	
Cash and Cash Equivalents	\$ 811,148
Cash and Cash Equivalents in Segregated Accounts	<u>171,683</u>
Total Assets	<u>982,831</u>
Liabilities:	
Due to Others	<u>171,683</u>
Total Liabilities	<u>171,683</u>
Restricted For:	
Individuals, Organizations, and Other Governments	<u>811,148</u>
Total Net Position	<u><u>\$ 811,148</u></u>

See accompanying notes to the basic financial statements

CITY OF CLEVELAND HEIGHTS, OHIO

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

	<u>Custodial</u>
Additions:	
Fines and Forfeiture Collections for Others	<u>\$ 961,484</u>
Total Additions	<u>961,484</u>
Deductions:	
Distribution of Fines and Forfeitures to Others	<u>951,634</u>
Total Deductions	<u>951,634</u>
Change in Net Position	9,850
Net Position at Beginning of Year	<u>801,298</u>
Net Position End of Year	<u><u>\$ 811,148</u></u>

See accompanying notes to the basic financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Cleveland Heights (the City) is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter since August 9, 1921. On November 5, 2019, voters approved an amendment to the City's charter to revise the structure of its government into a mayor-council-administrator form of government, which began on January 1, 2022.

The Mayor serves full time as the City's chief executive officer for a four-year term. The Mayor appoints a City Administrator, with council approval, to run day-to-day operations.

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 of Cleveland Heights's primary government consists of all funds and departments which are not legally separate from the City. They include a police force, a firefighting force, and a street maintenance and sanitation force, refuse collection, recreation programs, municipal court, public health, community development, public improvements, water and sewer services, and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific burden on, the primary government.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The following component unit meets the blended component unit criteria of Governmental Accounting Standards Board (GASB) Statement numbers 14, 39, and 61 and are reported as part of the primary government in both the fund financial statements and government-wide financial statements:

Cleveland Heights Community Improvement Corporation Cleveland Heights Community Improvement Corporation (the CIC) is a legally separate organization created under chapter 1724 of the Ohio Revised Code governed by a five member Board of Directors composed of the City Manager, the Mayor, the Chairperson of the Planning and Development Committee of City Council, the Director of Housing and development. The CIC is fiscally dependent on the City. The CIC is included in the City's reporting entity because of its financial benefit/burden relationship with the City. The CIC is therefore presented as a blended component unit of the City in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. The CIC has no significant financial activity. As a result, no financial information is presented at December 31, 2023.

The Cleveland Heights Municipal Court has been included in the City's financial statements as a custodial fund. The Clerk of Courts is an appointed City official who has a fiduciary responsibility for the collection and distribution of the court fees and fines.

The City is associated with three jointly governed organizations, the First Suburbs Consortium of Northeast Ohio Council of Governments, the Northeast Ohio Public Energy Council and the Regional Income Tax Agency (RITA). Information about these organizations is presented in Note 16 to the basic financial statements.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses).

The various funds are grouped into generic fund types and three broad fund categories for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service, and capital projects funds. Proprietary funds include enterprise funds. Fiduciary funds include custodial funds. The following fund types are used by the City:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

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

Local Fiscal Recovery Fund - This fund is used to account for Coronavirus State and Local Fiscal Recovery funds received as part of the American Rescue Plan Act. The funds are to be used to support the response and recovery from the COVID-19 public health emergency.

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

Proprietary Funds - All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are presented on the statement of net position. Proprietary fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the City's major enterprise funds:

Sewer Fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Refuse Fund - This fund accounts for the refuse collection services to the residents and businesses located within the City.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary funds are custodial funds. The City's custodial funds account for amounts collected for the benefit of and distributed to other governments and individuals on behalf of the municipal court and evidence room.

C. Basis of Presentation - Financial Statements

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

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Position. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

The basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

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. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, fines and forfeitures, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31, are recorded as deferred inflows of resources. Property taxes which are measurable at December 31, 2023, but which are not intended to finance 2023 operations or are not expected to be received within sixty (60) days after year end, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by all government wide statements, proprietary funds, and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in the proprietary 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 annual tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, except custodial funds, are legally required to be budgeted and appropriated. The legal level of control has been established by Council at the department level for personal services, capital outlay, other than personal services, and non-governmental expenditures for all funds. The Finance Director is authorized to transfer amounts between objects of expenditure within and between departments so long as the total appropriation for each department does not exceed that of the Council approved appropriation.

1. Tax Budget

By July 15, the City Manager submits an annual tax budget for the following fiscal 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 1 to December 31 of the following year.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. 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 Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The estimated revenue amounts reported on the accompanying budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued for 2023.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level for all funds and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the fund, department, and object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual for the General Fund and Major Special Revenue Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

5. Lapsing of Appropriations

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Budgetary Process (Continued)****6. Budgetary Basis of Accounting**

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis. On the budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the "Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual" for the General Fund and Major Special Revenue Fund:

	Net Change in Fund Balance	
	General Fund	Fiscal Recovery Fund
GAAP Basis (as reported)	(\$456,127)	\$0
Increase (Decrease):		
Accrued Revenues at December 31, 2023		
received during 2024	(7,554,797)	0
Accrued Revenues at December 31, 2022		
received during 2023	6,558,623	0
Accrued Expenditures at December 31, 2023		
paid during 2024	1,552,967	700,040
Accrued Expenditures at December 31, 2022		
paid during 2023	(1,392,290)	(123,385)
Change in Unearned Revenue	0	(4,162,434)
2022 Prepaids for 2023	532,085	0
2023 Prepaids for 2024	(531,116)	0
Change in Supplies Inventory	(69,758)	0
2022 Adjustment to Fair Value	(384,249)	0
2023 Adjustment to Fair Value	(373,646)	0
Outstanding Encumbrances	(1,621,266)	(5,245,382)
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(150,774)	0
Budget Basis	<u>(\$3,890,348)</u>	<u>(\$8,831,161)</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash, including the investment instrument described above, represents the balance on hand as if each fund maintained its own cash and investments account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be a cash equivalent. See Note 4 "Cash and Cash Equivalents."

The City has segregated bank accounts for monies held separate from the City's investment pool. These interest bearing depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City treasury.

Cash and cash equivalents that are held separately by the City for the purchase of equipment are recorded as "Cash and cash equivalents with fiscal agent".

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Investment earnings of \$3,763,882 earned by other funds were credited to the General Fund as required by state statute.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments (Continued)

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. 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 fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$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.

H. Inventory

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

I. 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. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Assets Held for Resale

Assets held for resale represent homes purchased and repaired to be sold under the Neighborhood Stabilization Program for development purposes.

K. Economic Development Properties

The City contains certain nonproductive properties which were acquired at minimal cost to the City. The City identifies a specific property and with the approval of City Council, obtains the property with the purpose of selling it to become a viable and productive property within the community. The properties held by the City at year end are reported as economic development properties and are valued at net realizable value.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of three or more years.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at acquisition value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities
	Estimated Lives (Years)
Land Improvements	30 - 50
Buildings and Improvements	30 - 50
Machinery and Equipment	3 - 20
Infrastructure	15 - 100

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Activity and Interfund Balances

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

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

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, capital lease, and long-term loans are recognized as a liability on the governmental fund financial statements when due.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Accrued Liabilities and Long-Term Obligations (Continued)

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Bond Retirement Fund, Sewer Fund, Refuse Fund
Special Assessment Bonds	General Bond Retirement Fund
Ohio Public Works Commission (OPWC) Loans	Street Construction, Maintenance and Repair Fund Sewer Fund
Ohio Water Development Authority (OWDA) Loans	General Bond Retirement Fund,, Refuse Fund
Solid Waste Liability	Refuse Fund
Workers' Compensation Liability	General Fund
Installment Loan/State Infrastructure Bank Loan	Street Construction, Maintenance and Repair Fund, Ambulance Services Fund, Recreation Facility Improvement Fund
Compensated Absences/Net Pension Liability/Net OPEB Liability	General Fund Street Construction, Maintenance and Repair Fund CDBG Fund, Municipal Court Special Projects Fund, Tree Fund, Sewer Fund, Refuse Fund
Long-Term Notes Payable	General Bond Retirement Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments in the next twenty years). The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

P. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. 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 (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance (Continued)

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Assigned amounts represent intended uses established by policies of City Council, including giving the Finance Director the authority to constrain monies for intended purposes. City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Through the City’s purchasing policy, City Council has given the Finance Director the authority to constrain monies for intended purposes, which are also reported as assigned fund balance.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

Q. Pension/OPEB

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

R. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/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 use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating Revenues and Expenses

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

T. 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 City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2023.

U. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies, amounts held on deposit for contractors and sales tax owed to the State and County for gift shop sales. Restricted assets in the fire damage deposits special revenue fund represent insurance payments held for homeowners to be paid when repairs caused by fire are completed. Restricted assets in the ambulance fund represent loan proceeds held until a new fire truck is purchased.

V. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. Deferred Outflows/Inflows of Resources

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

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

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

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND
BALANCE/NET POSITION**

A. Change in Accounting Principle

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

GASB Statement No. 94 clarifies accounting and financial reporting requirements for public-private and public-public partnership arrangements and availability payment arrangements.

GASB Statement No. 96 provides guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users.

The implementation of these Statements had no effect on beginning net position/fund balance

B. Restatement of Net Position

Certain adjustments were necessary to beginning of year net position to account for a restatement of capital asset balances.

This change had the following effect on net position as reported December 31, 2022:

	Governmental Activities	Business-Type Activities
Net Position December 31, 2022, as Reported	\$86,799,560	\$21,152,754
Adjustments:		
Capital Asset Restatement	10,517,547	(781,525)
Restated Net Position December 31,2022	<u>\$97,317,107</u>	<u>\$20,371,229</u>
	Sewer Fund	Refuse Fund
Net Position December 31, 2022, as Reported	\$19,500,545	\$1,652,209
Adjustments:		
Capital Asset Restatement	525,085	(1,306,610)
Restated Net Position December 31,2022	<u>\$20,025,630</u>	<u>\$345,599</u>

CITY OF CLEVELAND HEIGHTS, OHIO**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023****NOTE 3 – FUND BALANCE CLASSIFICATION**

Fund balance is classified as nonspendable, restricted, committed, assigned, and 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 in the following table:

Fund Balances	General Fund	Fiscal Recovery Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Supplies Inventory	\$955,955	\$0	\$54,000	\$1,009,955
Prepaid Items	531,116	0	0	531,116
Interfund Loans	5,202,897	0	0	5,202,897
Unclaimed Funds	170,640	0	0	170,640
Total Nonspendable	6,860,608	0	54,000	6,914,608
Restricted:				
Capital Projects	0	0	1,047,840	1,047,840
Debt Service	0	0	933,730	933,730
Road Improvements	0	0	4,847,782	4,847,782
Community Development	0	0	6,762,784	6,762,784
Municipal Court Special Projects	0	0	2,385,573	2,385,573
Street Lighting	0	0	1,515,943	1,515,943
Public Safety	0	0	1,490,067	1,490,067
Drug Law Enforcement	0	0	747,012	747,012
Aging and Youth Recreation	0	0	115,820	115,820
Juvenile Diversion Program	0	0	9,463	9,463
Total Restricted	0	0	19,856,014	19,856,014
Committed:				
Public Building Maintenance	0	0	500,423	500,423
Cain Park Operations	0	0	247,697	247,697
Ambulance Services	0	0	2,405,396	2,405,396
Police Facility Improvements	0	0	28,610	28,610
Ring Road Construction	0	0	35,045	35,045
Total Committed	0	0	3,217,171	3,217,171
Assigned:				
Capital Improvements	0	0	7,849,328	7,849,328
Economic Development	0	0	8,468,100	8,468,100
City Hall Maintenance	0	0	139,569	139,569
Parking Operations	0	0	541,730	541,730
Capital Projects	0	0	700,000	700,000
Earned Benefits	538,812	0	0	538,812
Supplies and Services	581,571	0	0	581,571
Total Assigned	1,120,383	0	17,698,727	18,819,110
Unassigned:	31,676,537	0	0	31,676,537
Total Fund Balances	\$39,657,528	\$0	\$40,825,912	\$80,483,440

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

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Monies held by the City are classified by State statute into three categories.

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

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

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

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, or by the financial institutions 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.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

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

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

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At December 31, 2023, the carrying amount of the City's deposits was \$4,210,204 and the bank balance was \$6,733,374. Of the bank balance, \$506,152 was covered by federal depository insurance and \$6,227,222 was exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2023 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration of Credit Risk	Investment Maturities (in Years)		
					less than 1	1-3	3-5
STAR Ohio ⁴	\$62,989,131	AAAm ¹	NA	57.65%	\$62,989,131	\$0	\$0
Money Market Mutual Fund ⁴	80,353	AA+ ¹	NA	0.07%	80,353	0	0
Negotiable CD's	9,606,634	AAA ³	Level 2	8.79%	244,755	9,361,879	0
US Treasuries	31,711,676	Aaa ²	Level 2	29.02%	26,142,476	5,569,200	0
FHLB	1,912,760	AA+ ¹	Level 2	1.75%	0	0	1,912,760
FHLMC	1,198,284	AA+ ¹	Level 2	1.10%	0	1,198,284	0
FFCB	1,759,168	AA+ ¹	Level 2	1.61%	0	1,759,168	0
Total Investments	<u>\$109,258,006</u>			<u>100.00%</u>	<u>\$89,456,715</u>	<u>\$17,888,531</u>	<u>\$1,912,760</u>

¹ Standard & Poor's

² Moody's Investor Service

³ All are fully FDIC insured and therefore have an implied AAA credit rating

⁴ Reported at amortized cost

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

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

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in one issuer. Allocation of the City’s investments by issuer is detailed in the table above.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Level 2 inputs are significant other observable inputs. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

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

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2023 were levied after October 1, 2022 on assessed values as of January 1, 2022, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2021. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Cleveland Heights. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2023 was \$12.42 per \$1,000 of assessed value. The assessed value upon which the 2023 collections were based was \$960,662,820. This amount constitutes \$933,862,510 in real property assessed value and \$26,800,310 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Property taxes recorded as revenue in 2023 were based on a tax rate equal to 1.242% (12.42 mills) of assessed value.

B. Income Taxes

The City levies an income tax of 2.25 percent on all income earned within the City as well as income of residents earned outside the City. The City allows a credit of 50 percent of the tax paid to another municipality, to a maximum of one-half of one percent of income earned outside the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

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

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2023 consisted of taxes, interest, accounts, special assessments, loans, leases, and intergovernmental receivables arising from shared revenues.

The City leases land and a cell phone tower as lessor. In 2023 the City received \$31,360 in lease payments. The total lease receivable balance at December 31, 2023 was \$91,338.

NOTE 7 – INTERFUND ACTIVITY

A. Interfund Transfers

Following is a summary of transfers in and out for all funds for 2023:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
General Fund	\$0	\$16,958,000
Other Governmental Funds	<u>14,168,750</u>	<u>160,794</u>
Total Governmental Funds	14,168,750	17,118,794
Enterprise Funds		
Sewer Fund	117,266	0
Refuse Fund	<u>2,832,778</u>	<u>0</u>
Total Enterprise Funds	<u>2,950,044</u>	<u>0</u>
Totals	<u>\$17,118,794</u>	<u>\$17,118,794</u>

General fund transfers to other governmental funds and the refuse fund were made to provide additional resources for capital improvements and current operations. The transfers from other governmental funds to other governmental funds were made for fund contributions for pension liabilities and for debt payments related to those funds. The transfers from the other governmental funds to the sewer fund were for debt service payments provided by governmental funds.

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

NOTE 7 – INTERFUND ACTIVITY (Continued)

B. Interfund Balances

Individual interfund balances at December 31, 2023 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds		
General Fund	\$5,202,897	\$0
Other Governmental Funds	<u>0</u>	<u>802,897</u>
Total Governmental Funds	5,202,897	802,897
Enterprise Funds		
Refuse Fund	<u>0</u>	<u>4,400,000</u>
Totals	<u><u>\$5,202,897</u></u>	<u><u>\$5,202,897</u></u>

Interfund balances at December 31, 2023, consisted of general fund advances of \$802,897 and \$4,400,000 to nonmajor special revenue funds and the refuse enterprise fund, respectively, due to deficit cash balances and due to the timing of reimbursement of expenditures.

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CITY OF CLEVELAND HEIGHTS, OHIO**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023****NOTE 8 - CAPITAL ASSETS****A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2023:

<i>Historical Cost:</i>	Restated December 31, 2022	Additions	Deletions	December 31, 2023
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$12,706,966	\$0	\$0	\$12,706,966
Construction in Progress	0	1,042,165	0	1,042,165
Subtotal	12,706,966	1,042,165	0	13,749,131
<i>Capital assets being depreciated:</i>				
Land Improvements	10,724,143	0	0	10,724,143
Buildings and Improvements	50,942,767	1,668,646	0	52,611,413
Machinery and Equipment	30,212,306	2,649,958	0	32,862,264
Infrastructure	75,254,745	721,822	0	75,976,567
Subtotal	167,133,961	5,040,426	0	172,174,387
Total Cost	\$179,840,927	\$6,082,591	\$0	\$185,923,518
<i>Accumulated Depreciation:</i>				
Class	December 31, 2022	Additions	Deletions	December 31, 2023
Land Improvements	(\$4,219,694)	(\$414,083)	\$0	(\$4,633,777)
Buildings and Improvements	(28,919,496)	(1,152,892)	0	(30,072,388)
Machinery and Equipment	(23,096,081)	(1,365,860)	0	(24,461,941)
Infrastructure	(42,376,228)	(3,007,433)	0	(45,383,661)
Total Depreciation	(\$98,611,499)	(\$5,940,268) *	\$0	(\$104,551,767)
<i>Net Value:</i>	\$81,229,428			\$81,371,751

*Depreciation was charged to governmental functions as follows:

General Government	\$498,850
Public Safety	754,581
Transportation	3,656,573
Community Development	453,942
Culture and Recreation	576,322
Total Depreciation Expense	<u>\$5,940,268</u>

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

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2023:

Historical Cost:	Restated December 31, 2022	Additions	Deletions	December 31, 2023
Class				
Capital assets not being depreciated:				
Land	\$45,526	\$0	\$0	\$45,526
Construction In Progress	0	1,731,932	0	1,731,932
Subtotal	45,526	1,731,932	0	1,777,458
Capital assets being depreciated:				
Land Improvements	202,434	0	0	202,434
Buildings and Improvements	20,380	0	0	20,380
Machinery and Equipment	9,280,733	297,011	0	9,577,744
Infrastructure	11,779,811	2,673,550	0	14,453,361
Subtotal	21,283,358	2,970,561	0	24,253,919
Total Cost	\$21,328,884	\$4,702,493	\$0	\$26,031,377
Accumulated Depreciation:				
Class	December 31, 2022	Additions	Deletions	December 31, 2023
Land Improvements	(\$25,553)	(\$9,826)	\$0	(\$35,379)
Buildings and Improvements	(\$18,427)	(\$1,019)	\$0	(\$19,446)
Machinery and Equipment	(5,047,199)	(574,282)	0	(5,621,481)
Infrastructure	(4,477,200)	(305,128)	0	(4,782,328)
Total Depreciation	(\$9,568,379)	(\$890,255)	\$0	(\$10,458,634)
Net Value:	\$11,760,505			\$15,572,743

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability (Asset)

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, 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. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

When a 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 3.00% 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 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,715,891 for 2023. Of this amount, \$140,259 is reported as an intergovernmental payable.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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. (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

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

CITY OF CLEVELAND HEIGHTS, OHIO

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$3,173,081 for 2023. Of this amount, \$246,324 is reported as an intergovernmental payable.

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

The net pension liability 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. OPF'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. **The OPERS Combined plan was determined to be immaterial and is no longer being reported in the financial statements.*

	Traditional Plan	OP&F	Total
Proportionate Share of the Net Pension Liability	\$21,439,572	\$53,007,004	\$74,446,576
Proportion of the Net Pension Liability-2023	0.072578%	0.558025%	
Proportion of the Net Pension Liability-2022	0.080456%	0.538404%	
Percentage Change	(0.007878%)	0.019622%	
Pension Expense	\$1,048,267	\$6,490,551	\$7,538,818

CITY OF CLEVELAND HEIGHTS, OHIO**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023****NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

	OPERS		
	Traditional Plan	OP&F	Total
Deferred Outflows of Resources			
Changes in assumptions	\$226,494	\$4,781,049	\$5,007,543
Differences between expected and actual experience	712,134	795,083	1,507,217
Net difference between projected and actual earnings on pension plan investments	6,110,960	7,717,167	13,828,127
Change in proportionate share	41,096	1,709,722	1,750,818
City contributions subsequent to the measurement date	1,715,891	3,173,081	4,888,972
Total Deferred Outflows of Resources	<u>\$8,806,575</u>	<u>\$18,176,102</u>	<u>\$26,982,677</u>
Deferred Inflows of Resources			
Changes in assumptions	\$0	\$1,033,621	\$1,033,621
Differences between expected and actual experience	0	1,207,656	1,207,656
Change in proportionate share	987,917	226,637	1,214,554
Total Deferred Inflows of Resources	<u>\$987,917</u>	<u>\$2,467,914</u>	<u>\$3,455,831</u>

\$4,888,972 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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 Plan	OP&F	Total
Year Ending December 31:			
2024	\$151,464	\$1,581,059	\$1,732,523
2025	1,158,967	3,017,788	4,176,755
2026	1,798,752	3,217,877	5,016,629
2027	2,993,584	4,641,184	7,634,768
2028	0	77,199	77,199
Total	<u>\$6,102,767</u>	<u>\$12,535,107</u>	<u>\$18,637,874</u>

Actuarial Assumptions - OPERS

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The total pension liability in the December 31, 2022 and December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2022
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2023. 2.05 percent simple, thereafter
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2021
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2022. 2.05 percent simple, thereafter
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 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 estate rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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 6.9 percent. The discount rate for the prior year was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$32,115,765	\$21,439,572	\$12,558,897

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF'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 OPF'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 the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, compared with January 1, 2021, are presented below.

	January 1, 2022	January 1, 2021
Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	2.2 percent simple	2.2 percent simple

For the January 1, 2022 valuation, mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, 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.

For the January 1, 2022 valuation, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, 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.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The most recent experience study was completed for the five year period ended December 31, 2016.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF'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
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	125.00 %	

* levered 2.5x

Note: Assumptions are geometric

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The discount rate used for 2021 was 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	\$69,926,465	\$53,007,004	\$38,941,854

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability 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 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 the 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 (asset). Resulting adjustments to the net OPEB liability (asset) 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 benefits is presented as a long-term *net OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (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 are able to 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.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is 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. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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.

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. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2023. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. 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 \$0 for 2023.

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75. OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 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.

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

The City's contractually required contribution to OP&F was \$74,758 for 2023. Of this amount, \$5,768 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportionate Share of the Net OPEB Liability	\$435,078	\$3,972,978	\$4,408,056
Proportion of the Net OPEB Liability -2023	0.069003%	0.558025%	
Proportion of the Net OPEB Liability -2022	0.077384%	0.538404%	
Percentage Change	(0.008381%)	0.019622%	
OPEB Expense	(\$1,257,900)	(\$9,018)	(\$1,266,918)

CITY OF CLEVELAND HEIGHTS, OHIO

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (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
Deferred Outflows of Resources			
Changes in assumptions	\$424,948	\$1,979,918	\$2,404,866
Differences between expected and actual experience	0	237,084	237,084
Net difference between projected and actual earnings on OPEB plan investments	864,081	340,761	1,204,842
Change in proportionate share	0	635,696	635,696
City contributions subsequent to the measurement date	0	74,758	74,758
Total Deferred Outflows of Resources	<u>\$1,289,029</u>	<u>\$3,268,217</u>	<u>\$4,557,246</u>
Deferred Inflows of Resources			
Changes in assumptions	\$34,967	\$3,249,572	\$3,284,539
Differences between expected and actual experience	108,523	783,391	891,914
Change in proportionate share	23,543	1,241,355	1,264,898
Total Deferred Inflows of Resources	<u>\$167,033</u>	<u>\$5,274,318</u>	<u>\$5,441,351</u>

\$74,758 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2024	\$119,121	(\$392,954)	(\$273,833)
2025	316,004	(400,022)	(84,018)
2026	269,449	(168,171)	101,278
2027	417,422	(60,834)	356,588
2028	0	(308,913)	(308,913)
2029	0	(343,274)	(343,274)
2030	0	(391,057)	(391,057)
2031	0	(15,634)	(15,634)
Total	<u>\$1,121,996</u>	<u>(\$2,080,859)</u>	<u>(\$958,863)</u>

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

Wage Inflation	2.75 percent
Projected Salary Increases, including inflation	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:	
Current measurement date	6.00 percent
Prior measurement date	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	5.5 percent initial, 3.5 percent ultimate in 2036
Prior measurement date	5.5 percent initial, 3.5 percent ultimate in 2034
Actuarial Cost Method	Individual Entry Age Normal

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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 liability 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 (Fidelity Index's "20-Year Municipal GO AA Index").

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.22 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) 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 (asset)	\$1,480,804	\$435,078	(\$427,819)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates and the expected net OPEB liability (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 (asset)	\$407,808	\$435,078	\$465,770

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate	4.27 percent	2.84 percent
Cost of Living Adjustments	2.2 percent simple	2.2 percent simple

For the January 1, 2022 valuation, mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, 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.

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

For the January 1, 2022 valuation, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

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

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

* levered 2.5x

Note: Assumptions are geometric

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (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 their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.50 percent for 2022, and 7.50 percent for 2021. 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, a municipal bond rate of 3.65 percent at December 31, 2022 and 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.50 percent, which resulted in a blended discount rate of 4.27 percent for 2022 and 2.84 percent for 2021. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2035. The long-term expected rate of return on health care investments was applied to projected costs through 2035, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The 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	\$4,892,351	\$3,972,978	\$3,196,793

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

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

NOTE 11 – COMPENSATED ABSENCES

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

All full-time employees earn sick leave at the rate of 4.6 hours for each 80 hours worked. An employee with ten or more consecutive years of service is entitled to payment to a maximum of 240 hours for accumulated sick leave for non-bargaining staff. Police and Local 860 employees are entitled to 750 hours and fire employees are entitled to 1,000 hours.

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The original issue date, maturity date, interest rate and original issuance amount for each of the City's debt issues is as follows:

	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
Governmental Activities:				
General Obligation Bonds:				
Restructuring Refunding	2020	2037	0.43-1.93%	11,796,000
Various Purpose	2021	2030	1.52%	759,000
Top of the Hill	2022	2031	2.25%	1,344,000
Cedar Lee parking Deck Refunding	2022	2033	2.60%	3,067,000
OPWC Loans from Direct Borrowings:				
Coventry Road Rehabilitation	2005	2025	0.00%	369,741
Lee Road Rehabilitation	2006	2029	0.00%	39,852
Meadowbrook Boulevard	2006	2026	0.00%	2,204,524
Monticello Boulevard	2010	2031	0.00%	248,880
Monticello Boulevard	2012	2034	0.00%	640,800
Meadowbrook Boulevard	2019	2049	0.00%	766,582
OWDA Loan from Direct Borrowing:				
OWDA Loan - Runnymede Water Line	2010	2030	3.84%	280,298
Installment Loans:				
Fire Truck	2015	2026	2.66%	493,630
Ambulance	2018	2023	3.96%	205,725
Equipment	2018	2022	4.91%	241,476
Fire Truck	2019	2029	2.66%	550,000
Ladder Fire Truck	2021	2031	2.32%	1,200,000
Special Assessment Bonds:				
Ring Road Improvement Refunding	2021	2022	3.00%	427,323
Business-Type Activities:				
General Obligation Bonds:				
Vehicle Acquisition	2018	2027	2.85%	635,000
Restructuring Refunding	2020	2037	0.43-1.93%	114,000
Various Purpose	2021	2030	1.52%	259,000
OPWC Loans from Direct Borrowings:				
Meadowbrook Boulevard Rehabilitation - Sewer	2016	2022	0.00%	459,276
OWDA Loan from Direct Borrowing:				
OWDA Loan - Refuse Automation	2021	2031	1.68-1.73%	487,180

CITY OF CLEVELAND HEIGHTS, OHIO

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Long-term debt and other long-term obligations of the City at December 31, 2023 were as follows:

Issue		Balance			Balance	
Date	Description	December 31,	Additions	Reductions	December 31,	Due Within
		2022			2023	One Year
Governmental Activities Debt:						
General Obligation Bonds:						
2020	Restructuring Refunding	10,681,000	0	(525,000)	10,156,000	340,000
2021	Various Purpose	670,000	0	(93,000)	577,000	79,000
2022	Top of the Hill	1,213,000	0	(123,000)	1,090,000	126,000
2022	Cedar Lee parking Deck Refunding	2,831,000	0	(226,000)	2,605,000	231,000
	Total General Obligation Bonds	15,395,000	0	(967,000)	14,428,000	776,000
Installment Loans:						
2015	Fire Truck	182,125	0	(43,751)	138,374	44,917
2018	Ambulance	44,401	0	(44,401)	0	0
2019	Fire Truck	399,946	0	(52,715)	347,231	54,124
2021	Ladder Fire Truck	1,091,978	0	(110,523)	981,455	113,082
	Total Installment Loans	1,718,450	0	(251,390)	1,467,060	212,123
Ohio Public Works Commission Loans:						
2005	Coventry Road Rehabilitation	55,460	0	(18,488)	36,972	18,488
2006	Lee Road Rehabilitation	14,946	0	(1,992)	12,954	1,992
2006	Meadowbrook Boulevard	310,010	0	(68,892)	241,118	68,892
2010	Monticello Boulevard	111,996	0	(12,444)	99,552	12,444
2012	Monticello Boulevard	304,285	0	(25,357)	278,928	25,357
2019	Meadowbrook Boulevard	757,846	0	(27,066)	730,780	27,066
	Total Ohio Public Works Commission Loans	1,554,543	0	(154,239)	1,400,304	154,239
Special Assessment Bonds:						
2021	Ring Road Improvement Refunding	1,516,000	0	(150,000)	1,366,000	152,000
	Total Special Assessment Bonds					
	(with Governmental Commitment)	1,516,000	0	(150,000)	1,366,000	152,000
Ohio Water Development Authority (OWDA) Loan Payable:						
2010	Runnymede Water Line	138,053	0	(15,048)	123,005	15,632
	Total OWDA Loan Payable	138,053	0	(15,048)	123,005	15,632
Governmental Activities Other Long-Term Obligations:						
	Compensated Absences	4,175,523	1,115,648	(1,041,325)	4,249,846	1,039,584
	Workers' Retrospective Compensation Liability	667,963	0	(667,963)	0	0
	Asset Retirement Obligation	53,000	0	0	53,000	0
	Governmental Activities Debt and Other Long-Term Obligations	\$25,218,532	\$1,115,648	(\$3,246,965)	\$23,087,215	\$2,349,578

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Issue Date	Description	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Due Within One Year
Business-Type Activities Debt:						
General Obligation Bonds:						
2018	Vehicle Acquisition Bonds	335,000	0	(65,000)	270,000	65,000
2020	Restructuring Bonds	114,000	0	0	114,000	0
2021	Various Purpose	247,000	0	(16,000)	231,000	32,000
	Total General Obligation Bonds	696,000	0	(81,000)	615,000	97,000
Ohio Water Development Authority Loans:						
2016	OWDA Loan - Refuse Automation	4,079,475	0	(423,295)	3,656,180	430,496
	Total Ohio Water Development Authority Loans	4,079,475	0	(423,295)	3,656,180	430,496
Ohio Public Works Commission Loans:						
2016	Meadowbrook Boulevard Rehabilitation - Sewer	103,336	0	(22,964)	80,372	22,964
Business-Type Activities Other Long-Term Obligations:						
	Compensated absences	499,079	173,875	(174,540)	498,414	171,032
	Solid Waste Liability	201,702	0	(14,437)	187,265	0
	Total Long-term Obligations	700,781	173,875	(188,977)	685,679	171,032
	Business-Type Activities Debt and Other Long-Term Obligations	<u>\$5,579,592</u>	<u>\$173,875</u>	<u>(\$716,236)</u>	<u>\$5,037,231</u>	<u>\$721,492</u>

General Obligation Bonds General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both voted and unvoted general property taxes levied on all taxable property located within the City as well as municipal income taxes. Tax monies will be received in and the debt will be retired from the general bond retirement debt service fund.

In 2015, the City issued general obligation bonds, in the amount of \$4,640,000, to partially refund bonds previously issued in 2008 for Cedar Lee parking deck. The bonds were issued with a fixed interest rate of 2.03 percent. The bonds were issued for a 15 year period with final maturity during fiscal year 2028. The bonds will be retired through the general bond retirement fund. \$2,855,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

In 2018, the City issued general obligation bonds in the amount of \$635,000 for the purpose of vehicle acquisition. The bonds were issued with a fixed interest rate of 2.85 percent. The bonds were issued for a 10 year period with a final maturity during fiscal year 2027. The bonds will be retired through the sewer enterprise fund.

In 2020, the City issued general obligation bonds in the amount of \$11,796,000, to refund various purpose bonds previously issued in 2014, 2015, 2016 and 2017 and the building improvement bonds issued in 2017. The bonds were issued with interest rates ranging from 0.43 to 1.93 percent. The bonds were issued for a 17 year period with a final maturity in 2037. The bonds will be retired through the general bond retirement fund. \$6,702,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

In 2020, the City issued general obligation bonds in the amount of \$114,000 to refund various purpose bonds issued in 2014 and 2015 for the transfer station. The bonds were issued with interest rates ranging from 1.93 to 2.84 percent. The bonds were issued for a 17 year period with a final maturity in 2037. The bonds will be retired through the refuse enterprise fund. \$108,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

In 2021, the City issued various purpose general obligation bonds in the amount of \$759,000 for the purpose of retiring notes previously issued for street improvements, motorized equipment and police radios. The bonds were issued with a fixed interest rate of 1.52 percent. The bonds were issued for a 10 year period with a final maturity during fiscal year 2030. The bonds will be retired through the general bond retirement fund.

In 2021, the City issued various purpose general obligation bonds in the amount of \$259,000 for the purpose of retiring notes previously issued motorized equipment. The bonds were issued with a fixed interest rate of 1.52 percent. The bonds were issued for a 10 year period with a final maturity during fiscal year 2030. The bonds will be retired through the sewer enterprise fund.

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

In 2022, the City issued economic development nontax revenue bonds in the amount of \$1,344,000 for the purpose of retiring notes previously issued. The bonds were issued with a fixed interest rate of 2.25 percent. The bonds were issued for a 10 year period with a final maturity during fiscal year 2031. The bonds will be retired through the general bond retirement fund.

Special Assessment Bonds Special assessment bonds are payable from the proceeds of assessments against the specific property owners who primarily benefited from the project. Special assessment monies will be received in and the debt will be retired from the general bond retirement debt service fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

In 2014, the City issued special assessment bonds, in the amount of \$2,510,000, to refund bonds previously issued in 2004 for improvements to Ring Road. The bonds were issued with a fixed interest rate of 2.93 percent. The bonds were issued for a 15 year period with final maturity during 2029. The bonds will be retired through the general bond retirement fund. The outstanding balance of the refunded bonds were called and fully repaid. These bonds were refunded with the 2021 refunding.

In 2021, the City issued special assessment refunding bonds in the amount of \$1,682,000, to refund special assessment refunded bonds previously issued in 2014. The bonds were issued with a fixed interest rate of 1.32 percent. The bonds were issued for a 10 year period with a final maturity in 2029. The bonds will be retired through the general bond retirement fund. The outstanding balance of the refunded bonds were called and fully repaid.

Other Long-Term Obligations Installment loans will be paid from the ambulance services special revenue fund and the recreation facility improvement capital projects fund. Compensated absences will be paid from the general fund and sewer and refuse enterprise funds. The workers' compensation liability will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension/OPEB contributions are made from the general fund, street construction and maintenance repair, community development, Cain Park operating, municipal court special projects, lead safe, tree, parking, ambulance services, police pension and fire pension special revenue funds and the sewer and refuse enterprise funds.

The solid waste liability will be paid from the refuse fund. During 2018, the EPA required a final closure cost estimate from the City. The State infrastructure bank and OPWC and OWDA loans in the governmental activities will be paid semiannually from street construction and maintenance special revenue fund and bond retirement debt service fund. The OPWC loans are interest free.

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The OPWC and OWDA loans in business-type activities will be paid semi-annually from the sewer and refuse enterprise funds. In the event that the sewer and refuse enterprise funds would fail to pay the OPWC and OWDA loans, payment would be made by any general tax revenues collected in the general, bond retirement or capital projects funds. The Meadowbrook Boulevard OPWC loan and the Runnymede Waterline OWDA loans related to water improvements are non-capital related now that transfer of operations is complete. The City no longer owns the water lines.

The City's outstanding OPWC loans from direct borrowings and direct placements related to governmental activities of \$1,400,304 and related to business type activities of \$80,372 contain a provision that in an event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$123,005 related to governmental activities and \$3,656,180 related to business-type activities contain a provision that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

The City has entered into a contractual agreement for a construction loan from the OWDA. Under the terms of this agreement, OWDA will reimburse, advance or directly pay for construction cost of the approved project. OWDA will capitalize administrative costs and construction interest and then add them to the total amount of the final loan. The loan will not have an accurate repayment schedule until the loan is finalized and, therefore, are not included in the schedule of future annual debt service requirements. The City is currently making payments based on estimates. The balance of the loan at December 31, 2023 is \$3,656,180.

The City entered into a \$1,200,000 loan agreement for a fire truck. The fire truck has not yet been purchased. As part of the agreement, Key Municipal Finance, a division of Key Corporate Capital Incorporated provided \$1,200,000 for the purchase of the fire truck. Amounts are paid to the vendor by the fiscal agent at the discretion of the City. As of December 31, 2023, \$1,200,000 is held by the fiscal agent.

The City has entered into other various installment loans for the purchase of fire and ambulance service equipment. The balance of these loans at December 31, 2023 is \$1,467,060.

CITY OF CLEVELAND HEIGHTS, OHIO

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2023, follows:

Governmental Activities						
Years	General Obligation Bonds		Special Assessment Bonds		Installment Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$776,000	\$330,422	\$152,000	\$18,032	\$212,123	\$35,273
2025	756,000	335,940	155,000	16,024	217,384	30,012
2026	862,000	302,940	158,000	13,978	222,778	24,618
2027	852,000	286,564	160,000	11,894	179,699	19,091
2028	867,000	269,626	158,000	9,781	184,069	14,721
2029-2033	6,378,000	970,503	583,000	7,696	451,007	19,394
2034-2037	3,937,000	273,604	0	0	0	0
Totals	\$14,428,000	\$2,769,599	\$1,366,000	\$77,405	\$1,467,060	\$143,109

Governmental Activities				
Years	OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest
2024	\$15,632	\$4,575	\$154,239	\$0
2025	16,238	3,969	154,239	0
2026	16,868	3,339	135,752	0
2027	17,521	2,685	101,303	0
2028	18,201	2,006	66,859	0
2029-2033	38,545	1,868	302,440	0
2034-2038	0	0	160,682	0
2039-2043	0	0	135,330	0
2044-2048	0	0	135,330	0
2049-2050	0	0	54,130	0
Totals	\$123,005	\$18,442	\$1,400,304	\$0

Business-Type Activities						
Years	General Obligation Bonds		OPWC Loans		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$97,000	\$13,986	\$22,964	\$0	\$430,496	\$60,127
2025	97,000	11,644	22,964	0	437,821	52,802
2026	102,000	9,306	22,964	0	445,270	45,354
2027	103,000	6,826	11,480	0	452,846	37,778
2028	33,000	4,328	0	0	460,550	30,074
2029-2033	130,000	13,039	0	0	1,429,197	42,672
2034-2037	53,000	3,680	0	0	0	0
Totals	\$615,000	\$62,809	\$80,372	\$0	\$3,656,180	\$268,807

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

NOTE 13 – CONDUIT DEBT

Top of the Hill

During 2020, the City created a tax increment financing (TIF) district for urban redevelopment pursuant to Ohio Revised Code Chapter 5709 with respect to certain parcels within the City generally known as “Top of the Hill”. City Council has exempted 100 percent of the increase in the assessed value of these parcels from real property taxation for a period of up to thirty years. The benefitted property owners will make service payments in lieu of the property tax payments. The school district will receive a portion of those service payments in lieu of the exempted taxes in accordance with an agreement between the City and the school district.

After creating this TIF district, the City authorized and sold \$24,375,000 aggregate principal amount of Taxable Economic Development Revenue Bonds and loaned the proceeds to Cleveland Heights FCIII, LLC, an Ohio limited liability company (CHFCIII), to pay a portion of the costs of constructing certain project improvements to be developed and owned by CHFCIII on the Top of the Hill parcels. Loan proceeds, to the extent not allocated to fund reserves or pay financing costs, are to be used by CHFCIII to pay costs of construction of the project improvements consisting of luxury apartments, parking, commercial, retail and restaurant space on the Top of the Hill parcels deemed to be in the public interest. CHFCIII is an affiliate of F & C Development, Inc., an Indiana corporation (FCD), the master developer of the Top of the Hill parcels. CHFCIII, FCD and their affiliates are legally separate entities, unrelated to the City.

Although the bonds bear the name of the City, the City has no obligation for this debt, or for any amounts payable with respect thereto, beyond the resources, if any, provided by or on behalf of the third-party on whose behalf the debt is issued. Payments on the loan to CHFCIII are in the same amounts as the payments on the conduit bonds, and such loan payments are guaranteed by the principal owner of FCD. Service payments are an obligation of CHFCIII, joined by a separate affiliate of FCD that leases the Top of the Hill parcels to CHFCIII. Available service payments, if any, paid by or on behalf of CHFCIII will be credited against the loan payments otherwise due from that entity. The bonds do not constitute a general obligation, debt or bonded indebtedness of the City. Neither is the full faith and credit or taxing power of the City pledged to make repayment. Accordingly, the bonds constitute conduit debt and are not reported as liabilities in the accompanying financial statements.

Cedar-Lee and Meadowbrook

During 2022, the City created a tax increment financing (TIF) district for urban redevelopment pursuant to Ohio Revised Code Chapter 5709 with respect to certain parcels within the City located between Cedar-Lee Road and Meadowbrook Road. City Council has exempted 100 percent of the increase in the assessed value of these parcels from real property taxation for a period of up to thirty years. The benefitted property owners will make service payments in lieu of the property tax payments. The school district will receive a portion of those service payments in lieu of the exempted taxes in accordance with an agreement between the City and the school district.

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

NOTE 13 – CONDUIT DEBT (Continued)

After creating this TIF district, the City authorized and sold \$10.2 aggregate principal amount of Taxable Economic Development Revenue Bonds and loaned the proceeds to Cleveland Heights FCIII, LLC, an Ohio limited liability company (CHFCIII), to pay a portion of the costs of constructing certain project improvements to be developed and owned by CHFCIII on the Cedar-Lee Road and Meadowbrook Road parcels. Loan proceeds, to the extent not allocated to fund reserves or pay financing costs, are to be used by CHFCIII to pay costs of construction of the project improvements consisting of luxury apartments, parking, commercial, retail and restaurant space on the Cedar-Lee Road and Meadowbrook Road parcels deemed to be in the public interest. CHFCIII is an affiliate of F & C Development, Inc., an Indiana corporation (FCD), the master developer of the Cedar-Lee Road and Meadowbrook Road parcels. CHFCIII, FCD and their affiliates are legally separate entities, unrelated to the City.

Although the bonds bear the name of the City, the City has no obligation for this debt, or for any amounts payable with respect thereto, beyond the resources, if any, provided by or on behalf of the third-party on whose behalf the debt is issued. Payments on the loan to CHFCIII are in the same amounts as the payments on the conduit bonds, and such loan payments are guaranteed by the principal owner of FCD. Service payments are an obligation of CHFCIII, joined by a separate affiliate of FCD that leases the Cedar-Lee Road and Meadowbrook Road parcels to CHFCIII. Available service payments, if any, paid by or on behalf of CHFCIII will be credited against the loan payments otherwise due from that entity. The bonds do not constitute a general obligation, debt or bonded indebtedness of the City. Neither is the full faith and credit or taxing power of the City pledged to make repayment. Accordingly, the bonds constitute conduit debt and are not reported as liabilities in the accompanying financial statements.

NOTE 14 – ASSET RETIREMENT OBLIGATIONS

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a City classified as an "owner" or "operator," to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$53,000 associated with the City's underground storage tanks was estimated by the City engineer. The assets have been fully depreciated. The City maintains insurance related to any potential pollution remediation associated with the USTs.

NOTE 15 – SOLID WASTE

In accordance with a notice letter received from the Ohio Environmental Protection Agency, the City of Cleveland Heights executed the final closure financial assurance instrument for the solid waste transfer station by the required September 30th, deadline. The financial test assured that the City could support any amount up to \$200,000 in post-closure costs and that the City met all of the requirements set forth by Ohio Administrative Code Rule 3745-27-17. This location is used for the transfer of solid waste from the City's refuse trucks to a larger loader which is used to transport the waste to a commercial landfill located outside the City. At December 31, 2023, the current final closure cost estimate is \$187,265, and is reported as a liability on the City's books.

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

First Suburbs Consortium of Northeast Ohio Council of Governments The City is a member of the First Suburbs Consortium of Northeast Ohio Council of Governments (Council). The Council is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council is currently comprised of 19 communities. The Council was formed to foster cooperation between municipalities in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain, and redevelop mature communities and other matters which affect health, safety, welfare, education economic conditions and regional development.

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and other members elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. During 2023, the City made no contributions to the Council. Financial information can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 165 Center Road, Bedford, OH 44146.

Northeast Ohio Public Energy Council The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 164 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 125 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives 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 did not contribute to NOPEC during 2023. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Regional Income Tax Agency The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection of income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2023, the City paid RITA \$1,016,977 for income tax collection services.

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

NOTE 17 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year the City contracted with Federal Insurance Company for property insurance and Old Republic Union Insurance Company for general, automobile, public officials and police professional liability insurance.

The types of coverage and deductibles are as follows:

Type of Coverage	Coverage	Deductible
Blanket Property and Contents, Replacement	\$134,268,000	\$50,000
General Liability	\$15,000,000	\$50,000
Automobile Liability	\$15,000,000	\$50,000
Public Officials Liability	\$15,000,000	\$50,000
Police Professional Liability	\$15,000,000	\$50,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

In prior years, the City participated in the State Workers' Compensation individual retrospective program. Individual retrospective program participants are liable for claims cost for a period of ten years. As of December 31, 2023, the City's ten-year liability period has expired. Changes in the claims liability amount is as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2023	\$655,888	\$0	(\$655,888)	\$0

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

NOTE 18 – CONTINGENT LIABILITIES

A. Litigation

The City of Cleveland Heights is a party to legal proceedings seeking damages. The City management is of opinion that ultimate disposition of these claims and legal proceeding will not have a material effect, if any, on the financial condition of the City. The City entered into a partial consent decree with USEPA in connection with discharges from the City's overflow structures. The partial consent decree requires improvements in the maintenance and management of the City's sewer system between 2022 and 2037 that will cost approximately \$48 million. These improvements will be financed by sewer rates.

B. Federal and State Grants

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

NOTE 19 – ASSETS HELD FOR RESALE

Assets held for resale represents land purchased by the City which will be sold for development purposes under the Community Development Block Grant Program (CDBG) and Neighborhood Stabilization Program.

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

NOTE 20 – SIGNIFICANT COMMITMENTS

A. Encumbrance Commitments

At December 31, 2023 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$1,621,266
Local Fiscal Recovery Fund	5,245,382
Other Governmental Funds	<u>3,482,365</u>
Total Governmental Funds	<u><u>\$10,349,013</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND HEIGHTS, OHIO

***Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) - Ohio Public Employees Retirement System (OPERS)-Traditional Plan and Combined Plan
Last Ten Years***

Ohio Public Employees Retirement System - Traditional Plan

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.127743%	0.127743%	0.119499%	0.108916%
City's proportionate share of the net pension liability (asset)	\$15,059,235	\$15,407,233	\$20,698,733	\$24,732,971
City's covered payroll	\$13,602,627	\$15,189,233	\$14,666,438	\$14,087,875
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	110.71%	101.44%	141.13%	175.56%
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.36%	86.45%	81.08%	77.25%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Public Employees Retirement System - Combined Plan

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	NA	NA	NA	NA
City's proportionate share of the net pension liability (asset)	NA	NA	NA	NA
City's covered payroll	NA	NA	NA	NA
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	NA	NA	NA	NA
Plan fiduciary net position as a percentage of the total pension liability (asset)	NA	NA	NA	NA

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Notes: The City implemented GASB Statement 68 in 2015.

The City's participation in the Combined Plan is considered immaterial.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See notes to the required supplementary information

CITY OF CLEVELAND HEIGHTS, OHIO

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
0.100820%	0.104932%	0.094837%	0.086001%	0.080456%	0.072578%
\$15,816,704	\$28,738,748	\$18,745,176	\$12,734,876	\$6,999,996	\$21,439,572
\$14,333,754	\$13,281,107	\$12,950,126	\$11,715,121	\$11,418,141	\$11,243,921
110.35%	216.39%	144.75%	108.70%	61.31%	190.68%
84.66%	74.70%	82.17%	86.88%	92.62%	75.74%
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
0.039065%	0.042526%	0.038017%	0.042618%	0.051408%	NA
(\$53,180)	(\$47,554)	(\$79,275)	(\$123,023)	(\$202,551)	NA
\$159,992	\$181,886	\$169,236	\$187,821	\$234,364	NA
(33.24%)	(26.14%)	(46.84%)	(65.50%)	(86.43%)	NA
137.28%	126.64%	145.28%	157.67%	169.88%	NA

CITY OF CLEVELAND HEIGHTS, OHIO

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.547127%	0.547127%	0.638196%	0.562980%
City's proportionate share of the net pension liability (asset)	\$26,646,816	\$28,343,475	\$41,055,597	\$35,658,588
City's covered payroll	\$11,100,872	\$10,740,721	\$11,915,147	\$11,929,672
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	240.04%	263.89%	344.57%	298.91%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	71.71%	66.77%	68.36%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See notes to the required supplementary information

CITY OF CLEVELAND HEIGHTS, OHIO

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
0.602776%	0.521387%	0.535183%	0.532819%	0.538404%	0.558025%
\$36,995,085	\$42,558,956	\$36,052,800	\$36,322,770	\$33,636,349	\$53,007,004
\$11,438,528	\$12,824,566	\$12,420,140	\$14,768,334	\$13,628,905	\$14,927,049
323.43%	331.85%	290.28%	245.95%	246.80%	355.11%
70.91%	63.07%	69.89%	70.65%	75.03%	62.90%

CITY OF CLEVELAND HEIGHTS, OHIO

***Schedule of City Pension Contributions - Ohio Public Employees Retirement System
(OPERS)-Traditional Plan and Combined Plan
Last Ten Years***

Ohio Public Employees Retirement System - Traditional Plan

Year	2014	2015	2016	2017
Contractually required contribution	\$1,892,517	\$1,826,707	\$1,690,545	\$1,863,388
Contributions in relation to the contractually required contribution	1,892,517	1,826,707	1,690,545	1,863,388
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
City's covered payroll	\$15,189,233	\$14,666,438	\$14,087,875	\$14,333,754
Contributions as a percentage of covered payroll	12.46%	12.46%	12.00%	13.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Public Employees Retirement System - Combined Plan

Year	2014	2015	2016	2017
Contractually required contribution	NA	NA	NA	\$20,799
Contributions in relation to the contractually required contribution	NA	NA	NA	20,799
Contribution deficiency (excess)	NA	NA	NA	\$0
City's covered payroll	NA	NA	NA	\$159,992
Contributions as a percentage of covered payroll	NA	NA	NA	13.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Notes: The City implemented GASB Statement 68 in 2015.

The City's participation in the Combined Plan is considered immaterial.

See notes to the required supplementary information

CITY OF CLEVELAND HEIGHTS, OHIO

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$1,859,355	\$1,876,476	\$1,704,740	\$1,640,117	\$1,574,149	\$1,715,891
<u>1,859,355</u>	<u>1,876,476</u>	<u>1,704,740</u>	<u>1,640,117</u>	<u>1,574,149</u>	<u>1,715,891</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,281,107	\$12,950,120	\$11,715,595	\$11,418,141	\$11,243,921	\$12,256,364
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$25,464	\$23,693	\$26,295	\$32,811	\$28,479	NA
<u>25,464</u>	<u>23,693</u>	<u>26,295</u>	<u>32,811</u>	<u>28,479</u>	<u>NA</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>NA</u>
\$181,886	\$169,236	\$187,821	\$234,364	\$203,421	NA
14.00%	14.00%	14.00%	14.00%	14.00%	NA

CITY OF CLEVELAND HEIGHTS, OHIO

***Schedule of City Pension Contributions - Ohio Police and Fire Pension Fund
Last Ten Years***

Ohio Police and Fire Pension Fund

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$2,289,692	\$2,542,641	\$2,547,007	\$2,505,231
Contributions in relation to the contractually required contribution	<u>2,289,692</u>	<u>2,542,641</u>	<u>2,547,007</u>	<u>2,505,231</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$10,740,721	\$11,915,147	\$11,929,672	\$11,438,528
Contributions as a percentage of covered payroll	21.32%	21.34%	21.35%	21.90%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

See notes to the required supplementary information

CITY OF CLEVELAND HEIGHTS, OHIO

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$2,699,820	\$2,657,819	\$3,149,254	\$2,910,940	\$3,174,490	\$3,173,081
<u>2,699,820</u>	<u>2,657,819</u>	<u>3,149,254</u>	<u>2,910,940</u>	<u>3,174,490</u>	<u>3,173,081</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$12,824,566	\$12,420,140	\$14,768,334	\$13,628,905	\$14,927,049	\$14,951,697
21.05%	21.40%	21.32%	21.36%	21.27%	21.22%

CITY OF CLEVELAND HEIGHTS, OHIO

***Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (Asset) - Ohio Public Employees Retirement System (OPERS) and Ohio Police and Fire Pension Fund
Last Seven Years***

Ohio Public Employees Retirement System

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.104370%	0.096660%	0.101016%
City's proportionate share of the net OPEB liability (asset)	\$10,541,725	\$10,496,564	\$13,170,101
City's covered payroll	\$14,087,875	\$14,666,179	\$13,646,743
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.83%	71.57%	96.51%
Plan fiduciary net position as a percentage of the total OPEB liability	54.04%	54.14%	46.33%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.562980%	0.602776%	0.521387%
City's proportionate share of the net OPEB liability (asset)	\$26,723,395	\$34,152,444	\$4,748,028
City's covered payroll	\$11,929,672	\$11,438,528	\$12,824,566
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	224.01%	298.57%	37.02%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability, which is the prior year end.

See notes to the required supplementary information

CITY OF CLEVELAND HEIGHTS, OHIO

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
0.090804%	0.082512%	0.077384%	0.069003%
\$12,542,391	(\$1,470,017)	(\$2,423,785)	\$435,078
\$13,265,937	\$12,020,141	\$11,769,530	\$11,447,343
94.55%	(12.23%)	(20.59%)	3.80%
47.80%	115.57%	128.23%	94.79%

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
0.535183%	0.532819%	0.538404%	0.558025%
\$5,286,394	\$5,645,307	\$5,901,366	\$3,972,978
\$12,420,140	\$14,768,334	\$13,628,905	\$14,927,049
42.56%	38.23%	43.30%	26.62%
47.08%	45.42%	46.86%	52.59%

CITY OF CLEVELAND HEIGHTS, OHIO

***Schedule of City's Net Other Postemployment Benefits (OPEB) Contributions - Ohio Public Employees Retirement System (OPERS) and Ohio Police and Fire Pension Fund
Last Ten Years***

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
Contractually required contribution	NA	NA	\$281,758	\$151,835
Contributions in relation to the contractually required contribution	NA	NA	281,758	151,835
Contribution deficiency (excess)	NA	NA	\$0	\$0
City's covered payroll	NA	NA	\$14,087,875	\$14,668,179
Contributions as a percentage of covered payroll	NA	NA	2.00%	1.04%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
Contractually required contribution	\$53,704	\$59,576	\$59,648	\$57,193
Contributions in relation to the contractually required contribution	53,704	59,576	59,648	57,193
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
City's covered payroll	\$10,740,721	\$11,915,147	\$11,929,672	\$11,438,528
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care; therefore, information prior to 2016 is not presented.

See notes to the required supplementary information

CITY OF CLEVELAND HEIGHTS, OHIO

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$7,350	\$5,863	\$4,669	\$4,681	\$0	\$0
<u>7,350</u>	<u>5,863</u>	<u>4,669</u>	<u>4,681</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,646,743	\$13,265,937	\$12,020,141	\$11,769,530	\$11,447,343	\$12,256,364
0.05%	0.04%	0.04%	0.04%	0.00%	0.00%

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$64,123	\$62,100	\$73,842	\$68,144	\$74,635	\$74,758
<u>64,123</u>	<u>62,100</u>	<u>73,842</u>	<u>68,144</u>	<u>74,635</u>	<u>74,758</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$12,824,566	\$12,420,140	\$14,768,334	\$13,628,905	\$14,927,049	\$14,951,697
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2023***

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2023.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

2021: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 1.4% to 0.5% for post 1/7/13 retirees.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 0.5% to 3.00% for post 1/7/13 retirees.
- Reduction in actuarial assumed rate of return from 7.20% to 6.90%.
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2023***

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2023.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%

2023: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table
- Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table
- Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table
- Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2023***

NET OPEB LIABILITY (ASSET)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2021, and 2023.

2022: Group plans for non-Medicare retirees and re-employed retirees replaced with individual medical plans. OPERS will provide a subsidy or allowance via an HRA.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.16% to 6.00%.
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Change in health care cost trend rate from 8.5% to 5.5%
- The Municipal Bond Rate changed from 2.00% to 1.84%
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The Municipal Bond Rate changed from 1.84% to 4.05%
- The single discount rate changed from 6.00% to 5.22%.

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2023***

NET OPEB LIABILITY (ASSET) (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The Municipal Bond Rate changed from 1.84% to 4.05%
- The single discount rate changed from 6.00% to 5.22%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020 - 2023: There were no changes in benefit terms.

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.56% to 2.96%.
- The payroll growth rate changed from 2.75% to 3.25%.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 2.96% to 2.84%.
- The investment rate of return changed from 8.0% to 7.5%.

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2023***

NET OPEB LIABILITY (ASSET) (Continued)

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

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 2.84% to 4.27%.
- Mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table
- Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table
- Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table
- Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table

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