



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF FAIRLAWN
SUMMIT COUNTY
DECEMBER 31, 2024**

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**CITY OF FAIRLAWN
SUMMIT COUNTY
DECEMBER 31, 2024**

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INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor and Members of City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fairlawn, Summit County, Ohio (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fairlawn, Summit County, Ohio as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Crystal Clinic TIF, Rosemont Greens Public Improvement TIF, and Federal Grants funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2024, the City adopted new accounting guidance in *Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2025, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

November 21, 2025

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CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

The management's discussion and analysis of the City of Fairlawn's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2024 are as follows:

- The total net position of the City increased \$1,127,474 from 2023's restated net position. The net position of governmental activities increased \$940,378 or 1.38%, to a total of \$69,122,648 in 2024, while the net position of business-type activities increased by \$187,096 or 1.25% to \$15,128,759 in 2024.
- The City had \$31,036,838 in total revenues in 2024, of which \$27,751,523 related to governmental activities and \$3,285,315 related to business-type activities. General revenues accounted for \$24,524,458 or 79.02% of total revenues, while program specific revenues accounted for \$6,512,380 or 20.98% of total revenues.
- The City had \$29,909,364 in total expenses in 2024. Governmental activities accounted for \$26,811,145 of total expenses; \$3,227,065 of these expenses were offset by program specific charges for services, grants, or contributions. The remaining governmental activities expenses of \$23,584,080 were offset by general revenues, primarily consisting of property taxes, income taxes, payments in lieu of taxes, unrestricted grants and entitlements, Joint Economic Development District (JEDD) revenues, and investment earnings. Business-type activities accounted for \$3,098,219 of total expenses; these expenses were partially offset by program specific charges for services, grants, and contributions.
- The City has five major governmental funds, the general fund, Crystal Clinic tax increment financing (TIF) fund, Rosemont Greens public improvement tax increment financing (TIF) fund, federal grants fund, and capital improvement fund, and one major proprietary fund, the broadband fund. The general fund, the largest major governmental fund, had revenues and other financing sources of \$21,196,384 in 2024. This represents an increase of \$1,962,156 over 2023's revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$20,462,534 in 2024, increased \$1,657,520 from 2023. The net increase in fund balance for the general fund was \$695,608 or 3.21%.
- The Crystal Clinic TIF fund had revenues and expenditures of \$1,363,716 in 2024.
- The Rosemont Greens public improvement TIF fund had revenues of \$254,918 and expenditures of \$341,825 in 2024. The net decrease in fund balance for the Rosemont Greens public improvement TIF fund was \$86,907 or 37.48%.
- The federal grants fund had revenues and expenditures of \$862,368 in 2024.
- The capital improvement fund had revenues and other financing sources of \$4,638,381 in 2024. The expenditures of the capital improvement fund totaled \$3,401,394 in 2024. The net increase in fund balance for the capital improvement fund was \$1,236,987 or 21.63%.
- The broadband fund had operating revenues of \$3,284,467 and operating expenses of \$3,089,157, resulting in operating income of \$195,310 in 2024. The broadband fund had nonoperating revenues and expenses of \$848 and \$9,062, respectively, in 2024. The net increase in net position for the broadband fund was \$187,096 or 1.25% of the restated net position at the beginning of the year.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Using these Basic Financial Statements

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2024?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Governmental Funds

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

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, Crystal Clinic TIF fund, Rosemont Greens public improvement TIF fund, federal grants fund, and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23-30 of this report.

Proprietary Funds

The City only maintains one type of proprietary funds, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its broadband utility operations. The basic proprietary fund statements can be found on pages 31-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds consist of a pension trust fund and a custodial fund. The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37-92 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability, net pension asset, pension contributions, net OPEB liability, net OPEB asset, and OPEB contributions. The required supplementary information can be found on pages 93-102 of this report.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2024 compared to 2023.

	Net Position					
	(Restated)		(Restated)		(Restated)	
	Governmental Activities 2024	Governmental Activities 2023	Business-Type Activities 2024	Business-Type Activities 2023	Total 2024	Total 2023
Assets						
Current and other assets	\$ 40,395,375	\$ 38,521,082	\$ 3,813,124	\$ 2,991,773	\$ 44,208,499	\$ 41,512,855
Capital assets, net	61,814,434	62,204,924	12,267,570	12,965,138	74,082,004	75,170,062
Total assets	<u>102,209,809</u>	<u>100,726,006</u>	<u>16,080,694</u>	<u>15,956,911</u>	<u>118,290,503</u>	<u>116,682,917</u>
Deferred outflows of resources						
Pension	5,829,999	6,697,009	210,995	208,403	6,040,994	6,905,412
OPEB	789,941	1,171,074	15,403	30,498	805,344	1,201,572
Total deferred outflows of resources	<u>6,619,940</u>	<u>7,868,083</u>	<u>226,398</u>	<u>238,901</u>	<u>6,846,338</u>	<u>8,106,984</u>
Liabilities						
Current and other liabilities	2,069,364	1,947,159	105,204	96,305	2,174,568	2,043,464
Long-term liabilities:						
Due within one year	1,516,405	1,065,688	140,844	132,423	1,657,249	1,198,111
Net pension liability	18,943,549	19,169,903	552,083	502,879	19,495,632	19,672,782
Net OPEB liability	1,018,665	1,071,745	-	10,028	1,018,665	1,081,773
Other amounts	11,059,767	11,852,889	356,304	473,756	11,416,071	12,326,645
Total liabilities	<u>34,607,750</u>	<u>35,107,384</u>	<u>1,154,435</u>	<u>1,215,391</u>	<u>35,762,185</u>	<u>36,322,775</u>
Deferred inflows of resources						
Property taxes	1,072,733	1,063,372	-	-	1,072,733	1,063,372
PILOTS	1,799,546	1,693,644	-	-	1,799,546	1,693,644
Leases	302,425	309,541	-	-	302,425	309,541
Pension	921,971	1,150,739	10,763	34,763	932,734	1,185,502
OPEB	1,002,676	1,087,139	13,135	3,995	1,015,811	1,091,134
Total deferred inflows of resources	<u>5,099,351</u>	<u>5,304,435</u>	<u>23,898</u>	<u>38,758</u>	<u>5,123,249</u>	<u>5,343,193</u>
Net Position						
Net investment in capital assets	61,455,696	61,798,583	11,838,087	12,421,208	73,293,783	74,219,791
Restricted	2,889,405	2,361,212	-	-	2,889,405	2,361,212
Unrestricted	4,777,547	4,022,475	3,290,672	2,520,455	8,068,219	6,542,930
Total net position	<u>\$ 69,122,648</u>	<u>\$ 68,182,270</u>	<u>\$ 15,128,759</u>	<u>\$ 14,941,663</u>	<u>\$ 84,251,407</u>	<u>\$ 83,123,933</u>

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

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

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

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

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

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

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

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

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2024, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$84,251,407. At year-end, net position was \$69,122,648 and \$15,128,759 for the governmental activities and the business-type activities, respectively.

Capital assets, reported on the government-wide statements, represent the largest portion of the City's assets. At year-end, capital assets represented 62.63% of total assets. Capital assets include land, construction in progress, buildings and improvements, land improvements, licensed vehicles, machinery and equipment, infrastructure, and intangible right to use - leased buildings, leased equipment, and software.

Most of the City's net position is reflected in its investment in capital assets, less any related debt used to acquire those assets. These capital assets are utilized by the City to provide services to its citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. At December 31, 2024, the City's net investment in capital assets was \$61,455,696 and \$11,838,087 in governmental activities and business-type activities, respectively.

A portion of the City's total net position, \$2,889,405, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for the years 2024 and 2023.

	Change in Net Position					
	(Restated)		(Restated)		(Restated)	
	Governmental Activities 2024	Governmental Activities 2023	Business-Type Activities 2024	Business-Type Activities 2023	Total 2024	Total 2023
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,868,381	\$ 1,417,223	\$ 3,278,416	\$ 3,223,310	\$ 5,146,797	\$ 4,640,533
Operating grants and contributions	1,355,511	516,035	6,899	11,490	1,362,410	527,525
Capital grants and contributions	3,173	942,690	-	-	3,173	942,690
Total program revenues	<u>3,227,065</u>	<u>2,875,948</u>	<u>3,285,315</u>	<u>3,234,800</u>	<u>6,512,380</u>	<u>6,110,748</u>

(Continued)

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Change in Net Position - (Continued)					
	(Restated) Governmental Activities 2024	Governmental Activities 2023	Business-Type Activities 2024	Business-Type Activities 2023	(Restated) Total 2024
General revenues:					
Property and other taxes	1,378,979	1,227,290	-	-	1,378,979
Income taxes	15,823,788	15,300,514	-	-	15,823,788
Payments in lieu of taxes	1,714,540	1,623,986	-	-	1,714,540
Unrestricted grants and entitlements	425,283	486,466	-	-	425,283
JEDD revenues	3,439,932	3,733,429	-	-	3,439,932
Investment earnings	1,358,397	1,182,737	-	-	1,358,397
Gain on sale of capital assets	-	34,092	-	-	34,092
Miscellaneous	383,539	359,560	-	-	383,539
Total general revenues	24,524,458	23,948,074	-	-	24,524,458
Total revenues	27,751,523	26,824,022	3,285,315	3,234,800	31,036,838
Expenses					
General government	5,920,422	5,020,481	-	-	5,920,422
Security of persons and property	10,314,729	10,566,539	-	-	10,314,729
Public health and welfare	109,669	110,334	-	-	109,669
Transportation	5,535,760	6,958,681	-	-	5,535,760
Community environment	3,123,819	2,306,677	-	-	3,123,819
Leisure time activity	602,109	564,002	-	-	602,109
Utility services	872,712	1,417,773	-	-	872,712
Interest and fiscal charges	331,925	344,309	-	-	331,925
Broadband	-	-	3,098,219	3,403,097	3,098,219
Total expenses	26,811,145	27,288,796	3,098,219	3,403,097	29,909,364
Change in net position	940,378	(464,774)	187,096	(168,297)	1,127,474
Net position at beginning of year (restated)	68,182,270	68,647,044	14,941,663	15,109,960	83,123,933
Net position at end of year	\$ 69,122,648	\$ 68,182,270	\$ 15,128,759	\$ 14,941,663	\$ 84,251,407
					\$ 83,123,933

Governmental Activities

Governmental activities net position increased \$940,378 in 2024.

General government expenses totaled \$5,920,422 and were partially offset by \$324,813 in direct charges to users of the services. Security of persons and property, which primarily supports the operations of the police, fire/EMS, and dispatch departments accounted for \$10,314,729 of the total expenses of the City. These expenses were partially funded by \$1,138,025 in direct charges to users of the services and \$20,311 in operating grants and contributions. Transportation expenses, which primarily support the engineering and service departments, totaled \$5,535,760. Transportation expenses were partially funded by \$40,314 in direct charges to users of the services, \$472,832 in operating grants and contributions, and \$3,173 in capital grants and contributions.

CITY OF FAIRLAWN, OHIO

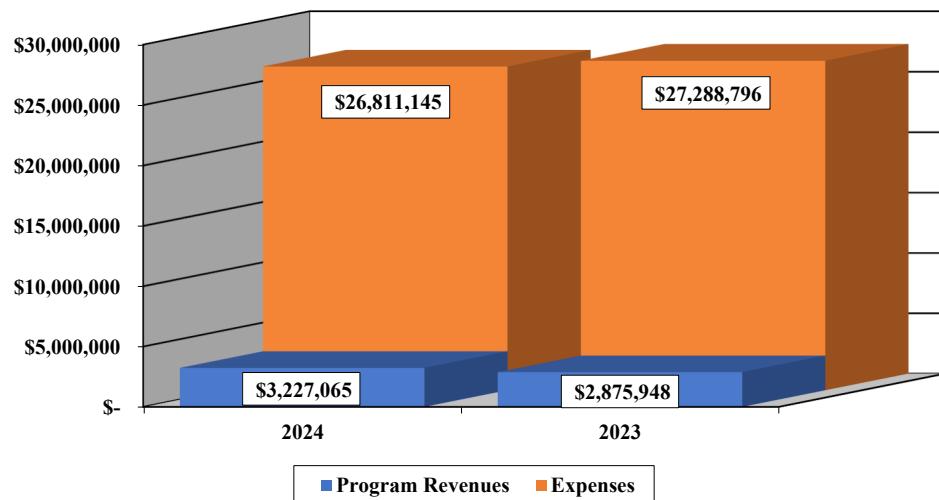
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

The county, state, and federal governments contributed to the City a total of \$1,355,511 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$20,311 subsidized security of persons and property, \$472,832 subsidized transportation programs, and \$862,368 subsidized community environment activities.

General revenues totaled \$24,524,458 and amounted to 88.37% of total governmental revenues. These revenues primarily consist of property and other tax revenues of \$1,378,979, income tax revenues of \$15,823,788, and JEDD revenues of \$3,439,932.

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

Governmental Activities - Program Revenues vs. Total Expenses



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

	Governmental Activities			
	Total Cost of Services 2024	Net Cost of Services 2024	Total Cost of Services 2023	Net Cost of Services 2023
Program Expenses:				
General government	\$ 5,920,422	\$ 5,595,609	\$ 5,020,481	\$ 4,784,601
Security of persons and property	10,314,729	9,156,393	10,566,539	9,833,050
Public health and welfare	109,669	109,669	110,334	110,334
Transportation	5,535,760	5,019,441	6,958,681	5,502,554
Community environment	3,123,819	2,175,904	2,306,677	2,168,395
Leisure time activity	602,109	591,902	564,002	553,566
Utility services	872,712	603,237	1,417,773	1,116,039
Interest and fiscal charges	331,925	331,925	344,309	344,309
Total	\$ 26,811,145	\$ 23,584,080	\$ 27,288,796	\$ 24,412,848

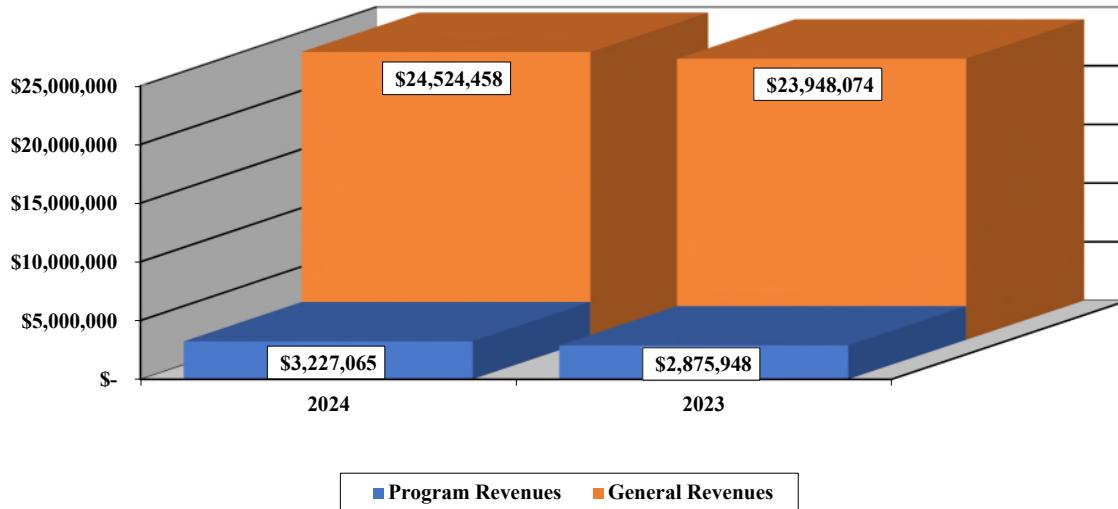
CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

The dependence upon general revenues for governmental activities is apparent, with 87.96% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2024 and 2023:

Governmental Activities - General and Program Revenues

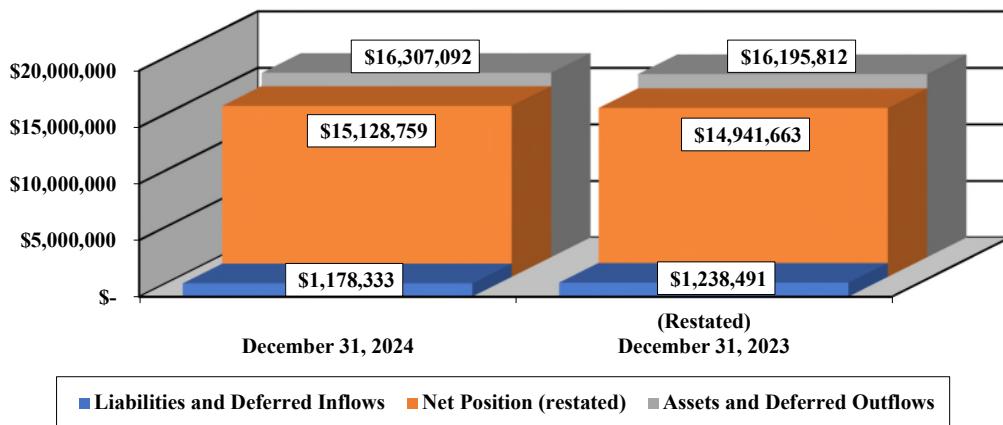


Business-Type Activities

Business-type activities net position increased \$187,096 in 2024.

Broadband expenses were \$3,098,219 for the year. Broadband expenses were partially offset by \$3,278,416 in direct charges to users of the City's broadband utility and \$6,899 in operating grants and contributions.

Net Position in Business - Type Activities



Financial Analysis of the Government's Funds

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

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$32,282,341 which is \$2,492,935 more than last year's total of \$29,789,406. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2024 and 2023 for all major and nonmajor governmental funds.

	Adjusted		Increase/ (Decrease)	Percentage Change
	Fund Balances 12/31/24	Fund Balances 12/31/23		
Major funds:				
General	\$ 22,352,711	\$ 21,657,103	\$ 695,608	3.21 %
Crystal Clinic TIF	-	-	-	- %
Rosemont Greens public improvement TIF	(318,757)	(231,850)	(86,907)	37.48 %
Federal grants	-	-	-	- %
Capital improvement	6,955,316	5,718,329	1,236,987	21.63 %
Other nonmajor governmental funds	<u>3,293,071</u>	<u>2,645,824</u>	<u>647,247</u>	24.46 %
Total	<u>\$ 32,282,341</u>	<u>\$ 29,789,406</u>	<u>\$ 2,492,935</u>	8.37 %

General Fund

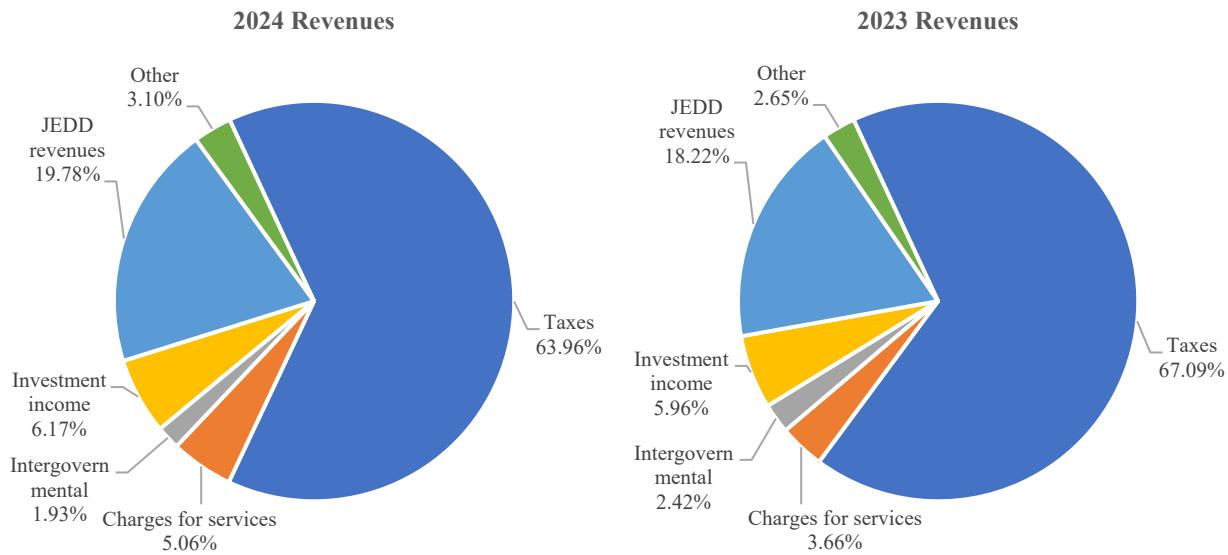
The City's general fund balance increased 3.21%, as revenues outpaced expenditures. The table that follows assists in illustrating the revenues of the general fund.

	2024		Percentage Change
	2024	2023	
<u>Revenues</u>			
Taxes	\$ 13,522,944	\$ 12,796,197	5.68 %
Charges for services	1,068,952	698,626	53.01 %
Intergovernmental	408,103	460,624	(11.40) %
Investment income	1,304,021	1,136,823	14.71 %
JEDD revenues	4,182,829	3,474,960	20.37 %
Other	<u>657,109</u>	<u>505,038</u>	30.11 %
Total	<u>\$ 21,143,958</u>	<u>\$ 19,072,268</u>	10.86 %

Overall revenues of the general fund increased \$2,071,690 or 10.86%. Tax revenue represents 63.96% of all general fund revenues, while income tax-based JEDD revenues accounted for another 19.78%. JEDD revenues increased 20.37% or \$707,869 due to the receipt of 14 monthly payments in 2024 versus only 11 in 2023. The \$370,326 increase in charges for services resulted from increases in emergency medical services fees and school resource officer (SRO) fees. Investment income increased by \$167,198 or 14.71%, due to the Federal Reserve, Federal Open Markets Committee target federal funds rate averaging 5.02%-5.27% in 2024, up from an average of 4.98%-5.23% in 2023. The rate, which was increased to combat inflation, indirectly influences the short-term interest rates paid on the City's investments.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024



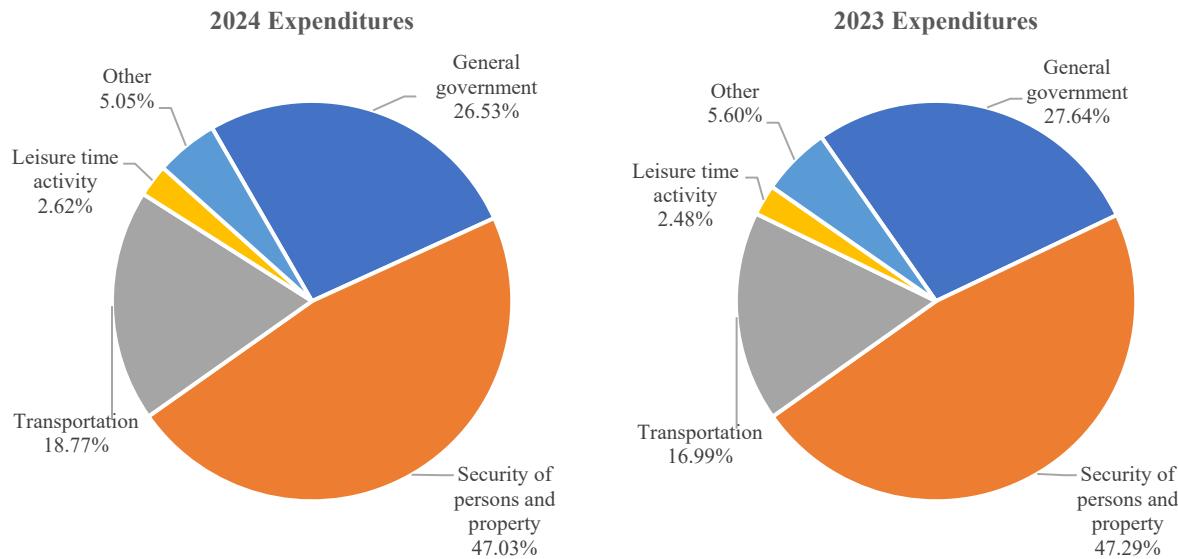
The table that follows assists in illustrating the expenditures of the general fund.

<u>Expenditures</u>	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
General government	\$ 5,017,918	\$ 4,861,219	3.22 %
Security of persons and property	8,897,510	8,316,321	6.99 %
Transportation	3,551,537	2,987,714	18.87 %
Leisure time activity	496,206	436,108	13.78 %
Other	954,463	983,352	(2.94) %
Total	\$ 18,917,634	\$ 17,584,714	7.58 %

The general fund's resources were primarily used for general government, security of persons and property, and transportation purposes, which accounted for 92.33% of all general fund expenditures in 2024. General government expenditures increased \$156,699 or 3.22% partially due to increased personnel costs. The majority of the \$581,189 increase in security of persons and property expenditures resulted from increases personnel costs in the police and fire/EMS departments. Transportation expenditures increased by \$563,823 or 18.87% due to the replacement of a traffic controller damage by an accident and increased engineering costs for plan reviews and infrastructure improvements.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024



Crystal Clinic TIF Fund

The Crystal Clinic TIF fund reported both revenues and expenditures of \$1,363,716 in 2024, while the fund's assets and deferred inflows of resources totaled \$1,385,456 each.

Rosemont Greens Public Improvement TIF Fund

The Rosemont Greens public improvement TIF fund had revenues of \$254,918 and expenditures of \$341,825 in 2024. The net decrease in fund balance for the Rosemont Greens public improvement TIF fund was \$86,907 or 37.48%.

Federal Grants Fund

The federal grants fund reported both revenues and expenditures of \$862,368 in 2024, while the fund's assets and liabilities totaled \$1,610,841 each.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$4,638,381 in 2024. The expenditures of the capital improvement fund totaled \$3,401,394 in 2024. The fund balance in the capital improvement fund increased by \$1,236,987 or 21.63% due to the City setting aside funds for the purchase of a new ladder truck for the fire/EMS department.

Budgeting Highlights

Budgetary information is presented for the general fund on page 27. The final budget reflects revenues and other financing sources that were \$228,611 or 1.14% greater than the original budget. Actual revenues and other financing sources were \$1,088,864 or 5.44% greater than the original budget and \$860,253 or 4.25% greater than the final budget. The revenue category with the largest variance was income taxes, with actual revenues exceeding the final budget by 4.67%, resulting in a revenue surplus of \$552,142.

During 2024, actual expenditures (including current year encumbrances) were \$1,687,700 or 6.7% under the original budget and \$1,789,691 or 7.08% less than the final budget. Actual general government expenditures were \$854,070 or 12.42% less than the original budget and \$715,870 or 10.62% less than the final budget. The community environment original and final budgets exceeded actual expenditures by \$630,158 and \$457,158, respectively.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

The general fund ended the year with a net fund balance decrease of \$2,395,699.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. Net position for the City's broadband fund at the end of the year increased 1.25% to \$15,128,759, while total assets and deferred outflows of resources increased to \$16,307,307.

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the City had \$74,082,004 (net of accumulated depreciation/amortization) invested in governmental and business-type capital assets, consisting of land, construction in progress, buildings and improvements, land improvements, licensed vehicles, machinery and equipment, infrastructure, and intangible right to use assets. In total, capital assets (net of accumulated depreciation/amortization) decreased by \$1,088,058 or 1.45%.

The following table presents the City's capital assets, net of depreciation/amortization at December 31, 2024 and 2023.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 6,122,142	\$ 6,132,383	\$ -	\$ -	\$ 6,122,142	\$ 6,132,383
Construction in progress	150,076	960,115	-	-	150,076	960,115
Buildings and improvements	8,251,382	7,544,921	-	-	8,251,382	7,544,921
Land improvements	1,552,502	1,649,403	-	-	1,552,502	1,649,403
Licensed vehicles	2,269,132	2,159,386	26,451	30,805	2,295,583	2,190,191
Machinery and equipment	1,751,224	1,272,826	2,089,028	2,283,469	3,840,252	3,556,295
Infrastructure	41,616,216	42,373,219	9,723,456	10,095,988	51,339,672	52,469,207
Intangible right to use assets:						
Buildings	-	-	393,801	482,963	393,801	482,963
Equipment	30,964	33,609	6,411	15,067	37,375	48,676
Software	70,796	79,062	28,423	56,846	99,219	135,908
Total	<u>\$ 61,814,434</u>	<u>\$ 62,204,924</u>	<u>\$ 12,267,570</u>	<u>\$ 12,965,138</u>	<u>\$ 74,082,004</u>	<u>\$ 75,170,062</u>

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

- Construction of a backup generator building for the fire station and municipal complex (\$1,563,549)
- Purchase and/or upfitting of four police cruisers (\$124,767)
- Purchase of a plow truck (\$178,180)
- Purchase of service department pickup trucks (\$133,815)
- Construction of sidewalks on Dowling Drive (\$277,051)
- Relocation of a pond at Fairlawn Corporate Park (\$484,032)

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

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2024 and 2023.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Notes payable	\$ 225,711	\$ 293,899	\$ -	\$ -	\$ 225,711	\$ 293,899
Lease-purchase	8,365,000	8,610,000	-	-	8,365,000	8,610,000
Leases payable	31,151	33,737	409,628	505,763	440,779	539,500
SBITA payable	66,896	78,704	19,855	38,166	86,751	116,870
Total	\$ 8,688,758	\$ 9,016,340	\$ 429,483	\$ 543,929	\$ 9,118,241	\$ 9,560,269

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

Economic Conditions and Next Year's General Fund Budget Outlook

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

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

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

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

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

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

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

The City's primary revenue source is the 2% local income tax withheld on the estimated 30,000 people working in the City. Income tax collections decreased 0.6% in 2024. Withholding tax revenues increased by \$545,351; however, that increase was offset by decreases in net profit and individual tax revenues of \$622,952 and \$21,738.13, respectively. The net profits decrease resulted from significant prior year overpayments by multiple taxpayers being carried forward to offset current-year tax liabilities.

For 2025, the City is projecting general fund revenues to increase 2.71% over the 2024 final budget, while general fund expenditures are budgeted 2.58% below the 2024 final budget. Programs supported by the general fund are budgeted at the same level of service as the preceding year.

Contacting the City's Financial Management

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

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CITY OF FAIRLAWN, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government			Component Unit Community Improvement Corporation of Fairlawn	
	Governmental Activities	Business-type Activities	Total		
Assets:					
Equity in pooled cash, cash equivalents, and investments	\$ 31,536,867	\$ 3,177,421	\$ 34,714,288	\$ 285,312	
Cash and cash equivalents in segregated accounts	4,151	-	4,151	-	
Cash and cash equivalents with fiscal agent	172	-	172	-	
Receivables:					
Income taxes	2,913,795	-	2,913,795	-	
Real and other taxes	1,116,886	-	1,116,886	-	
Payments in lieu of taxes	1,801,221	-	1,801,221	-	
Accounts	628,462	154,931	783,393	17	
Special assessments	220,000	-	220,000	-	
Accrued interest	9,878	-	9,878	-	
Lease receivable	323,773	-	323,773	-	
Due from other governments	739,008	85	739,093	-	
Loans receivable	-	-	-	300,000	
Rent receivable	-	-	-	603,450	
Materials and supplies inventory	613,004	354,263	967,267	-	
Prepayments	312,010	108,626	420,636	1,256	
Net pension asset	117	12	129	-	
Net OPEB asset	176,031	17,786	193,817	-	
Capital assets:					
Land and construction in progress	6,272,218	-	6,272,218	-	
Depreciable capital assets, net	55,542,216	12,267,570	67,809,786	-	
Total capital assets, net	<u>61,814,434</u>	<u>12,267,570</u>	<u>74,082,004</u>	-	
Total assets	<u>102,209,809</u>	<u>16,080,694</u>	<u>118,290,503</u>	<u>1,190,035</u>	
Deferred outflows of resources:					
Pension	5,829,999	210,995	6,040,994	-	
OPEB	789,941	15,403	805,344	-	
Total deferred outflows of resources	<u>6,619,940</u>	<u>226,398</u>	<u>6,846,338</u>	-	
Total assets and deferred outflows of resources	<u>108,829,749</u>	<u>16,307,092</u>	<u>125,136,841</u>	<u>1,190,035</u>	
Liabilities:					
Accounts payable	395,926	70,578	466,504	6	
Contracts payable	673,629	-	673,629	-	
Accrued wages and benefits payable	238,268	10,307	248,575	-	
Compensated absences payable	92,275	-	92,275	-	
Due to other governments	389,439	7,822	397,261	-	
Unearned revenue	245,853	14,881	260,734	-	
Accrued interest payable	33,974	1,616	35,590	-	
Long-term liabilities:					
Due within one year	1,516,405	140,844	1,657,249	-	
Due in more than one year:					
Net pension liability	18,943,549	552,083	19,495,632	-	
Net OPEB liability	1,018,665	-	1,018,665	-	
Other amounts	<u>11,059,767</u>	<u>356,304</u>	<u>11,416,071</u>	-	
Total liabilities	<u>34,607,750</u>	<u>1,154,435</u>	<u>35,762,185</u>	<u>6</u>	
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	1,072,733	-	1,072,733	-	
PILOTS levied for the next fiscal year	1,799,546	-	1,799,546	-	
Leases	302,425	-	302,425	-	
Pension	921,971	10,763	932,734	-	
OPEB	1,002,676	13,135	1,015,811	-	
Total deferred inflows of resources	<u>5,099,351</u>	<u>23,898</u>	<u>5,123,249</u>	-	
Total liabilities and deferred inflows of resources	<u>39,707,101</u>	<u>1,178,333</u>	<u>40,885,434</u>	<u>6</u>	
Net position:					
Net investment in capital assets	61,455,696	11,838,087	73,293,783	-	
Restricted for:					
Other purposes	2,889,405	-	2,889,405	-	
Unrestricted (deficit)	<u>4,777,547</u>	<u>3,290,672</u>	<u>8,068,219</u>	<u>1,190,029</u>	
Total net position	<u>\$ 69,122,648</u>	<u>\$ 15,128,759</u>	<u>\$ 84,251,407</u>	<u>\$ 1,190,029</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Revenues				Net (Expense) Revenues and Changes in Net Position			
					Primary Government		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Current:								
General government	\$ 5,920,422	\$ 324,813	\$ -	\$ -	\$ (5,595,609)	\$ -	\$ (5,595,609)	\$ -
Security of persons and property	10,314,729	1,138,025	20,311	-	(9,156,393)	-	(9,156,393)	-
Public health and welfare	109,669	-	-	-	(109,669)	-	(109,669)	-
Transportation	5,535,760	40,314	472,832	3,173	(5,019,441)	-	(5,019,441)	-
Community environment	3,123,819	85,547	862,368	-	(2,175,904)	-	(2,175,904)	-
Leisure time activity	602,109	10,207	-	-	(591,902)	-	(591,902)	-
Utility services	872,712	269,475	-	-	(603,237)	-	(603,237)	-
Interest and fiscal charges	331,925	-	-	-	(331,925)	-	(331,925)	-
Total governmental activities	<u>\$ 26,811,145</u>	<u>\$ 1,868,381</u>	<u>\$ 1,355,511</u>	<u>\$ 3,173</u>	<u>(23,584,080)</u>	<u>-</u>	<u>(23,584,080)</u>	<u>-</u>
Business-type activities:								
Broadband	3,098,219	3,278,416	6,899	-	-	187,096	187,096	-
Total primary government	<u>\$ 29,909,364</u>	<u>\$ 5,146,797</u>	<u>\$ 1,362,410</u>	<u>\$ 3,173</u>	<u>(23,584,080)</u>	<u>187,096</u>	<u>(23,396,984)</u>	<u>-</u>
Component Unit:								
Community Improvement Corporation of Fairlawn	<u>\$ 86,287</u>	<u>\$ -</u>	<u>\$ 275,127</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,840</u>
General revenues:								
Property taxes levied for:								
General purposes					1,135,969	-	1,135,969	-
Police and fire pension					243,010	-	243,010	-
Income taxes levied for:								
General purposes					12,408,536	-	12,408,536	-
Capital outlay					3,415,252	-	3,415,252	-
Payments in lieu of taxes					1,714,540	-	1,714,540	-
Grants and entitlements not restricted to specific programs					425,283	-	425,283	-
JEDD revenues					3,439,932		3,439,932	
Investment earnings					1,358,397	-	1,358,397	-
Miscellaneous					383,539	-	383,539	-
Total general revenues					<u>24,524,458</u>	<u>-</u>	<u>24,524,458</u>	<u>-</u>
Change in net position					940,378	187,096	1,127,474	188,840
Net position at beginning of year, as previously reported								
Restatement - change in accounting principle					69,541,659	14,957,321	84,498,980	1,001,189
					(1,359,389)	(15,658)	(1,375,047)	-
Net position at beginning of year (restated)								
					68,182,270	14,941,663	83,123,933	1,001,189
Net position at end of year								
					<u>\$ 69,122,648</u>	<u>\$ 15,128,759</u>	<u>\$ 84,251,407</u>	<u>\$ 1,190,029</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General	Crystal Clinic TIF	Rosemont Greens Public Improvement TIF	Federal Grants	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in pooled cash, cash equivalents, and investments	\$ 18,819,290	\$ -	\$ 1,131,702	\$ 1,610,841	\$ 6,635,435	\$ 3,339,599	\$ 31,536,867
Cash and cash equivalents in segregated accounts	3,901	-	-	-	-	250	4,151
Cash and cash equivalents with fiscal agent	-	-	-	-	172	-	172
Receivables:							
Income taxes	2,185,346	-	-	-	728,449	-	2,913,795
Real and other taxes	873,010	-	-	-	-	243,876	1,116,886
Payments in lieu of taxes	-	1,385,456	319,430	-	-	96,335	1,801,221
Accounts	625,256	-	-	-	-	3,206	628,462
Special assessments	-	-	-	-	220,000	-	220,000
Accrued interest	9,878	-	-	-	-	-	9,878
Lease receivable	323,773	-	-	-	-	-	323,773
Due from other funds	2,159,048	-	-	-	-	-	2,159,048
Due from other governments	498,826	-	-	-	-	240,182	739,008
Materials and supplies inventory	613,004	-	-	-	-	-	613,004
Prepayments	287,840	-	-	-	24,170	-	312,010
Total assets	\$ 26,399,172	\$ 1,385,456	\$ 1,451,132	\$ 1,610,841	\$ 7,608,226	\$ 3,923,448	\$ 42,378,275
Liabilities:							
Accounts payable	\$ 330,654	\$ -	\$ -	\$ -	\$ 57,122	\$ 8,150	\$ 395,926
Contracts payable	-	-	96,411	559,988	17,230	-	673,629
Accrued wages and benefits payable	238,268	-	-	-	-	-	238,268
Compensated absences payable	92,275	-	-	-	-	-	92,275
Due to other funds	-	-	1,354,048	805,000	-	-	2,159,048
Due to other governments	267,141	-	-	-	46,710	75,588	389,439
Unearned revenue	-	-	-	245,853	-	-	245,853
Total liabilities	928,338	-	1,450,459	1,610,841	121,062	83,738	4,194,438
Deferred inflows of resources:							
Property taxes levied for the next fiscal year	834,347	-	-	-	-	238,386	1,072,733
Delinquent property tax revenue not available	18,663	-	-	-	-	5,490	24,153
PILOTS levied for the next fiscal year	-	1,385,456	317,755	-	-	96,335	1,799,546
Delinquent PILOTS not available	-	-	1,675	-	-	-	1,675
Special assessments revenue not available	-	-	-	-	220,000	-	220,000
Miscellaneous revenue not available	617,658	-	-	-	-	3,206	620,864
Income tax revenue not available	935,543	-	-	-	311,848	-	1,247,391
Intergovernmental revenue not available	189,030	-	-	-	-	203,222	392,252
JEDD revenues not available	220,457	-	-	-	-	-	220,457
Leases	302,425	-	-	-	-	-	302,425
Total deferred inflows of resources	3,118,123	1,385,456	319,430	-	531,848	546,639	5,901,496
Total liabilities and deferred inflows of resources	4,046,461	1,385,456	1,769,889	1,610,841	652,910	630,377	10,095,934
Fund balances:							
Nonspendable	912,968	-	-	-	24,170	-	937,138
Restricted	-	-	-	-	6,931,146	3,293,071	10,224,217
Committed	5,000	-	-	-	-	-	5,000
Assigned	2,768,785	-	-	-	-	-	2,768,785
Unassigned (deficit)	18,665,958	-	(318,757)	-	-	-	18,347,201
Total fund balances	22,352,711	-	(318,757)	-	6,955,316	3,293,071	32,282,341
Total liabilities, deferred inflows of resources and fund balances	\$ 26,399,172	\$ 1,385,456	\$ 1,451,132	\$ 1,610,841	\$ 7,608,226	\$ 3,923,448	\$ 42,378,275

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024

Total governmental fund balances \$ 32,282,341

*Amounts reported for governmental activities on the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 61,814,434

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

Income taxes receivable	\$ 1,247,391
Real and other taxes receivable	24,153
Accounts receivable	620,751
Special assessments receivable	220,000
Due from other governments	<u>612,822</u>
Total	2,726,792

The net pension/OPEB asset is not available to pay for current period
expenditures; therefore, the asset is not reported in the governmental funds.

Net pension asset	117
Net OPEB asset	<u>176,031</u>
Total	176,148

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

Deferred outflows - pension	5,829,999
Deferred outflows - OPEB	789,941
Deferred inflows - pension	(921,971)
Deferred inflows - OPEB	(1,002,676)
Net pension liability	(18,943,549)
Net OPEB liability	<u>(1,018,665)</u>
Total	(15,266,921)

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

Accrued interest payable	(33,974)
Notes payable	(225,711)
Lease-purchase payable	(8,365,000)
Unamortized premium on lease-purchase issuance	(463,906)
Leases payable	(31,151)
SBITA payable	(66,896)
Compensated absences	<u>(3,423,508)</u>
Total	<u>(12,610,146)</u>

Net position of governmental activities \$ 69,122,648

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General	Crystal Clinic TIF	Rosemont Greens TIF	Federal Grants	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:							
Income taxes	\$ 12,382,189	\$ -	\$ -	\$ -	\$ 3,406,469	\$ -	\$ 15,788,658
Real and other taxes	1,140,755	-	-	-	-	243,040	1,383,795
Charges for services	1,068,952	-	-	-	-	200,269	1,269,221
Licenses and permits	182,347	-	-	-	-	-	182,347
Fines, forfeitures, and settlements	144,009	-	-	-	32,517	58,789	235,315
Intergovernmental	408,103	-	-	862,368	367,865	489,681	2,128,017
Special assessments	-	-	-	-	13,911	-	13,911
Investment income	1,304,021	-	-	-	266	54,110	1,358,397
Rental income	94,760	-	-	-	-	-	94,760
Contributions and donations	11	-	-	-	-	-	11
JEDD revenues	4,182,829	-	-	-	-	-	4,182,829
Payments in lieu of taxes	-	1,363,716	254,918	-	-	94,231	1,712,865
Other	235,982	-	-	-	47,111	147,514	430,607
Total revenues	21,143,958	1,363,716	254,918	862,368	3,868,139	1,287,634	28,780,733
Expenditures:							
Current:							
General government	5,017,918	-	-	-	-	9,490	5,027,408
Security of persons and property	8,897,510	-	-	-	-	934,577	9,832,087
Public health and welfare	109,669	-	-	-	-	-	109,669
Transportation	3,551,537	-	-	-	-	260,219	3,811,756
Community environment	436,829	1,363,716	341,825	862,368	-	133,456	3,138,194
Leisure time activity	496,206	-	-	-	-	-	496,206
Utility services	294,755	-	-	-	-	97,545	392,300
Capital outlay	48,130	-	-	-	2,733,561	-	2,781,691
Debt service:							
Principal retirement	62,524	-	-	-	313,188	-	375,712
Interest and fiscal charges	2,556	-	-	-	354,645	-	357,201
Total expenditures	18,917,634	1,363,716	341,825	862,368	3,401,394	1,435,287	26,322,224
Excess (deficiency) of revenues over (under) expenditures	2,226,324	-	(86,907)	-	466,745	(147,653)	2,458,509
Other financing sources (uses):							
Sale of capital assets	4,296	-	-	-	20,242	-	24,538
Inception of SBITA	37,557	-	-	-	-	-	37,557
Inception of lease	10,573	-	-	-	-	-	10,573
Transfers in	-	-	-	-	750,000	794,900	1,544,900
Transfers (out)	(1,544,900)	-	-	-	-	-	(1,544,900)
Total other financing sources (uses)	(1,492,474)	-	-	-	770,242	794,900	72,668
Net change in fund balances	733,850	-	(86,907)	-	1,236,987	647,247	2,531,177
Fund balances at beginning of year, as previously reported	21,657,103	-	-	-	5,718,329	2,413,974	29,789,406
Adjustment - changes from nonmajor fund to major fund	-	-	(231,850)	-	-	231,850	-
Fund balances at beginning of year (adjusted)	21,657,103	-	(231,850)	-	5,718,329	2,645,824	29,789,406
Increase in reserve for inventory	(38,242)	-	-	-	-	-	(38,242)
Fund balances at end of year	\$ 22,352,711	\$ -	\$ (318,757)	\$ -	\$ 6,955,316	\$ 3,293,071	\$ 32,282,341

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Net change in fund balances - total governmental funds \$ 2,531,177

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

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

Capital asset additions	\$ 2,306,778
Current year depreciation/amortization	<u>(2,527,675)</u>
Total	(220,897)

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

(169,593)

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

Income taxes	35,130
Real and other taxes	(4,816)
Charges for services	87,334
Licenses and permits	(652)
Fines, forfeitures, and settlements	(105)
Intergovernmental revenues	(391,161)
Special assessments	(13,750)
JEDD revenues	(742,897)
Payments in lieu of taxes	1,675
Other	<u>32</u>
Total	(1,029,210)

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

(38,242)

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

(48,130)

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

375,712

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

Accrued interest payable	4,190
Amortization of premium on lease-purchase	<u>21,086</u>
Total	25,276

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

Pension contributions	1,348,396
OPEB contributions	<u>23,560</u>
Total	1,371,956

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

Changes in net pension liability	(1,760,289)
Changes in net OPEB liability	<u>(91,119)</u>
Total	(1,851,408)

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

(6,263)

Change in net position of governmental activities \$ 940,378

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Income taxes	\$ 12,397,296	\$ 11,823,842	\$ 12,375,984	\$ 552,142
Real and other taxes	1,160,569	1,121,727	1,132,862	11,135
Charges for services	841,831	1,041,933	1,057,395	15,462
Licenses and permits	185,690	172,949	182,042	9,093
Fines, forfeitures, and settlements	60,351	144,053	144,381	328
Intergovernmental	392,833	408,341	416,921	8,580
Investment income	1,050,000	1,279,736	1,290,746	11,010
Rental income	87,559	89,096	97,681	8,585
Contributions and donations	-	-	11	11
JEDD revenues	3,509,710	3,940,367	4,182,829	242,462
Other	122,166	222,878	224,323	1,445
Total revenues	<u>19,808,005</u>	<u>20,244,922</u>	<u>21,105,175</u>	<u>860,253</u>
Expenditures:				
Current:				
General government	6,877,076	6,738,876	6,023,006	715,870
Security of persons and property	9,509,992	9,250,753	9,046,241	204,512
Public health and welfare	110,429	110,429	109,669	760
Transportation	4,061,297	4,112,907	3,821,929	290,978
Community environment	1,164,232	991,232	534,074	457,158
Leisure time activity	564,180	565,000	507,634	57,366
Utility services	375,764	375,764	312,717	63,047
Total expenditures	<u>22,662,970</u>	<u>22,144,961</u>	<u>20,355,270</u>	<u>1,789,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,854,965)</u>	<u>(1,900,039)</u>	<u>749,905</u>	<u>2,649,944</u>
Other financing sources (uses):				
Sale of capital assets	27,602	4,296	4,296	-
Advances in	185,000	-	-	-
Advances (out)	(985,000)	(1,605,000)	(1,605,000)	-
Transfers (out)	(1,544,900)	(1,544,900)	(1,544,900)	-
Total other financing sources (uses)	<u>(2,317,298)</u>	<u>(3,145,604)</u>	<u>(3,145,604)</u>	<u>-</u>
Net change in fund balances	(5,172,263)	(5,045,643)	(2,395,699)	2,649,944
Fund balances at beginning of year	17,954,708	17,954,708	17,954,708	-
Prior year encumbrances appropriated	1,547,098	1,547,098	1,547,098	-
Fund balance at end of year	<u>\$ 14,329,543</u>	<u>\$ 14,456,163</u>	<u>\$ 17,106,107</u>	<u>\$ 2,649,944</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CRYSTAL CLINIC TIF FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Payments in lieu of taxes	\$ 1,536,909	\$ 1,363,716	\$ 1,363,716	\$ -
Total revenues	<u>1,536,909</u>	<u>1,363,716</u>	<u>1,363,716</u>	<u>-</u>
Expenditures:				
Current:				
Community environment	<u>1,536,909</u>	<u>1,363,716</u>	<u>1,363,716</u>	<u>-</u>
Total expenditures	<u>1,536,909</u>	<u>1,363,716</u>	<u>1,363,716</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	-	-	-	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ROSEMONT GREENS PUBLIC IMPROVEMENT TIF FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues:				
Payments in lieu of taxes	\$ 519,785	\$ 254,918	\$ 254,918	\$ -
Total revenues	<u>519,785</u>	<u>254,918</u>	<u>254,918</u>	<u>-</u>
Expenditures:				
Current:				
Community environment	1,036,182	454,698	454,639	59
Total expenditures	<u>1,036,182</u>	<u>454,698</u>	<u>454,639</u>	<u>59</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(516,397)</u>	<u>(199,780)</u>	<u>(199,721)</u>	<u>59</u>
Other financing sources (uses):				
Advances in	800,000	800,000	800,000	-
Total other financing sources (uses)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Net change in fund balances	283,603	600,220	600,279	59
Fund balances at beginning of year	105,147	105,147	105,147	-
Prior year encumbrances appropriated	<u>236,182</u>	<u>236,182</u>	<u>236,182</u>	<u>-</u>
Fund balance at end of year	<u>\$ 624,932</u>	<u>\$ 941,549</u>	<u>\$ 941,608</u>	<u>\$ 59</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FEDERAL GRANTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues:				
Intergovernmental	\$ 805,000	\$ -	\$ 257,153	\$ 257,153
Total revenues	<u>805,000</u>	<u>-</u>	<u>257,153</u>	<u>257,153</u>
Expenditures:				
Current:				
Community environment	1,687,362	1,624,199	1,624,198	1
Total expenditures	<u>1,687,362</u>	<u>1,624,199</u>	<u>1,624,198</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	(882,362)	(1,624,199)	(1,367,045)	257,154
Other financing sources (uses):				
Advances in	-	805,000	805,000	-
Total other financing sources (uses)	<u>-</u>	<u>805,000</u>	<u>805,000</u>	<u>-</u>
Net change in fund balances	(882,362)	(819,199)	(562,045)	257,154
Fund balances at beginning of year	778,524	778,524	778,524	-
Prior year encumbrances appropriated	<u>103,838</u>	<u>103,838</u>	<u>103,838</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 63,163</u>	<u>\$ 320,317</u>	<u>\$ 257,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2024

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Broadband</u>
Assets:	
Current assets:	
Equity in pooled cash, cash equivalents, and investments	\$ 3,177,421
Receivables:	
Accounts	154,931
Due from other governments	85
Materials and supplies inventory	354,263
Prepayments	108,626
Total current assets	<u>3,795,326</u>
Noncurrent assets:	
Net pension asset	12
Net OPEB asset	17,786
Capital assets:	
Depreciable capital assets, net	12,267,570
Total capital assets, net	<u>12,267,570</u>
Total assets	<u>16,080,694</u>
Deferred outflows of resources:	
Pension	210,995
OPEB	<u>15,403</u>
Total deferred outflows of resources	<u>226,398</u>
Total assets and deferred outflows of resources	<u>16,307,092</u>
Liabilities:	
Current liabilities:	
Accounts payable	70,578
Accrued wages and benefits payable	10,307
Due to other governments	7,822
Accrued interest payable	1,616
Unearned revenue	14,881
Total current liabilities	<u>105,204</u>
Long-term liabilities:	
Compensated absences payable	67,665
SBITA payable	19,855
Lease payable	409,628
Net pension liability	<u>552,083</u>
Total long-term liabilities	<u>1,049,231</u>
Total liabilities	<u>1,154,435</u>
Deferred inflows of resources:	
Pension	10,763
OPEB	<u>13,135</u>
Total deferred inflows of resources	<u>23,898</u>
Total liabilities and deferred inflows of resources	<u>1,178,333</u>
Net position:	
Net investment in capital assets	11,838,087
Unrestricted	<u>3,290,672</u>
Total net position	<u>\$ 15,128,759</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Business-type Activities -</u>
	<u>Enterprise Fund</u>
	<u>Broadband</u>
Operating revenues:	
Charges for services	\$ 3,278,416
Other operating revenues	<u>6,051</u>
Total operating revenues	<u>3,284,467</u>
Operating expenses:	
Personal services	344,174
Fringe benefits	182,029
Contract services	1,365,152
Materials and supplies	325,732
Depreciation/amortization	870,552
Other	<u>1,518</u>
Total operating expenses	<u>3,089,157</u>
Operating income	<u>195,310</u>
Nonoperating revenues (expenses):	
Interest and fiscal charges	(9,062)
Intergovernmental	<u>848</u>
Total nonoperating revenues (expenses)	<u>(8,214)</u>
Change in net position	187,096
Net position at beginning of year, as previously reported	14,957,321
Restatement - change in accounting principle	<u>(15,658)</u>
Net position at beginning of year (restated)	<u>14,941,663</u>
Net position at end of year	<u>\$ 15,128,759</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Business-type Activities -</u>
	<u>Enterprise Fund</u>
	<u>Broadband</u>
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 3,294,231
Cash received from other operations	6,051
Cash payments for personal services	(337,661)
Cash payments for fringe benefits	(162,333)
Cash payments for contractual services	(1,368,889)
Cash payments for materials and supplies	(430,794)
Cash payments for other expenses	<u>(7,293)</u>
Net cash provided by operating activities	<u>993,312</u>
Cash flows from noncapital financing activities:	
Cash received from grants	<u>1,276</u>
Net cash provided by financing activities	<u>1,276</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(172,984)
Principal retirement	(114,446)
Interest and fiscal charges	<u>(10,142)</u>
Net cash used in capital and related financing activities	<u>(297,572)</u>
Net increase in cash, cash equivalents, and investments	697,016
Cash, cash equivalents, and investments at beginning of year	<u>2,480,405</u>
Cash, cash equivalents, and investments at end of year	<u>\$ 3,177,421</u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating income	\$ 195,310
Adjustments:	
Depreciation/amortization	870,552
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in accounts receivable	10,279
(Increase) in materials and supplies inventory	(148,651)
Decrease in prepayments	31,398
(Increase) in net pension asset	(3)
(Increase) in net OPEB asset	(17,786)
(Increase) in deferred outflows of resources - pension	(2,592)
Decrease in deferred outflows of resources - OPEB	15,095
Increase in accounts payable	8,414
Increase in accrued wages and benefits	3,375
Increase in intergovernmental payable	706
Increase in compensated absences payable	3,138
(Decrease) in unearned revenue	(239)
Increase in net pension liability	49,204
(Decrease) in net OPEB liability	(10,028)
(Decrease) in deferred inflows of resources - pension	(24,000)
Increase in deferred inflows of resources - OPEB	<u>9,140</u>
Net cash provided by operating activities	<u>\$ 993,312</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024

	Pension	
	Trust	Custodial
Assets:		
Cash in segregated accounts	\$ 562,802	\$ -
Investments	134,668	-
Receivables:		
Fines and forfeitures for other governments	- <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>	<hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/> 15,812
Total assets	<hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/> 697,470	<hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/> 15,812
 Net position:		
Restricted for other employee benefit plans	697,470	-
Restricted for other governments	- <hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/>	<hr style="width: 100px; margin-left: 0; border: 0; border-top: 1px solid black;"/> 15,812
Total net position	<hr style="width: 100px; margin-left: 0; border: 0; border-top: 3px double black;"/> \$ 697,470	<hr style="width: 100px; margin-left: 0; border: 0; border-top: 3px double black;"/> \$ 15,812

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Pension Trust	Custodial
Additions:		
From local sources:		
Amounts held for employees	\$ 12,178	\$ -
Fines and forfeitures for other	-	33,320
Earnings on investments	<u>34,475</u>	<u>-</u>
Total additions	<u>46,653</u>	<u>33,320</u>
Deductions:		
Fines and forfeitures distributions to other governments	-	27,489
Administrative expense	<u>3,940</u>	<u>-</u>
Total deductions	<u>3,940</u>	<u>27,489</u>
Net change in fiduciary net position	42,713	5,831
Net position beginning of year	<u>654,757</u>	<u>9,981</u>
Net position end of year	<u><u>\$ 697,470</u></u>	<u><u>\$ 15,812</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

The City participates in the Akron Metropolitan Area Transportation Study (the “AMATS”), which is a jointly governed organization. This organization is responsible for fulfilling the area’s continuous, cooperative, and comprehensive transportation planning process. The AMATS service area consists of Summit, Portage, and Chippewa Township of Wayne County. AMATS is led by the AMATS Transportation Policy Committee. The City is a member of the 43 member Policy Committee that is responsible for the preparation of regional transportation policies, plans and programs that meet the area’s present and future needs. In 2024, the City contributed \$1,788 to AMATS, which represents the City’s formula share.

The City participates in the Bath-Akron-Fairlawn Joint Economic Development District (the “JEDD”), which is a jointly governed organization. The JEDD was created to assure the continued economic viability of Bath Township. A nine-member board of directors, three appointed from Bath Township, Akron, and Fairlawn, respectively, controls the operation of the JEDD. The board exercises total control over the operation of the JEDD including budgeting, appropriating, contracting, and designating management. Each participant’s degree of control is limited to its representation on the board. All 2024 JEDD revenues were the result of the income tax levied by the JEDD effective January 1, 1999.

The City joined together with Summit County and the cities of Cuyahoga Falls, Stow, and Tallmadge to organize the Summit Area Regional Council of Governments (the “SARCOG”) pursuant to Chapter 167.01-08 of the Ohio Revised Code and an Intergovernmental Agreement to establish SARCOG dated February 17, 2022. SARCOG was organized as a voluntary organization of local political subdivisions in Summit County to foster a cooperative effort to plan for and implement a regional dispatch system for emergency services, including a regional dispatch center. SARCOG was also organized as a forum for the discussion and study of common emergency service problems of a multiple community nature, and for the development of policy, programs, and implementation of such remedies as are appropriate. SARCOG is governed by a Board of Trustees. Each political subdivision which is a party to the Intergovernmental Agreement shall be a member of SARCOG and shall have one representative on the SARCOG Board of Trustees. In 2024, the City contributed \$1,003,800 to SARCOG, which represents the City’s formula share.

The City joined together with Summit County to organize the Summit-Fairlawn Broadband Regional Council of Governments (the “Broadband COG”) pursuant to Chapter 167.01-08 of the Ohio Revised Code and a Cooperative Agreement to establish the Broadband COG dated July 18, 2022. The Broadband COG was organized to undertake, construct, and operate an approximately 130-mile high-speed fiber-optic ring throughout Summit County and a secure, approximately 20,000 square foot data center for public and private use in the Fairlawn Corporate Park. The Broadband COG Board of Trustees is comprised of one voting member from each participating community. In 2024, the City made no contributions to the Broadband COG.

B. Basis of Presentation - Fund Accounting

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

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

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

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

C. Fund Accounting

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

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

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

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

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

Federal Grants Fund - This fund is used to account for federal financial assistance awards for specified purposes other than capital projects.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

E. Basis of Accounting

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

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

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

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2024, but which were levied to finance 2025 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow of resources for leases is related to the lease receivable and is being amortized to rental income in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

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

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

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

F. Budgetary Data

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

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2024.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

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

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

G. Cash, Cash Equivalents, and Investments

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

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

During 2024, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2024, interest revenue credited to the general fund amounted to \$1,290,746, which includes \$830,899 assigned from other City funds.

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

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

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

J. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences - vacation, sick leave, and comp time. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave employment of the City and, upon separation from service, the employee receives compensation in accordance with the severance policy. A liability for estimated value of sick leave that will be used by employees as time off and at separation is included in the liability for compensated absences.

Comp Time

The City's policy permits employees to accumulate earned but unused comp time, which are eligible for payment at the employee's current pay rate upon separation from employment.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Balances

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

M. Interfund Activity

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

N. Fund Balance

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies or ordinances of the City Council or by State statute. State statute authorizes the Finance Director to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

O. Estimates

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

P. Net Position

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

Q. Prepaid Items

Prepayments made to vendors for services that will benefit future periods beyond December 31, 2024 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Fair Value Measurements

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

T. Contributions of Capital

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2024, the City’s proprietary fund did not report any in capital contributions.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2024, the City has implemented certain paragraphs from GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "Omnibus 2022", GASB Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62", Implementation Guide No. 2023-1 and GASB Statement No. 101, "Compensated Absences".

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

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

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the City.

GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

B. Deficit Fund Balances

Fund balances at December 31, 2024 included the following individual fund deficits:

Nonmajor funds

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

C. Change within the Financial Reporting Entity

For 2024, the City's Rosemont Greens public improvement TIF fund and federal grants fund presentation was adjusted from nonmajor to major due to now meeting the qualitative threshold for major funds. This change is separately displayed in the financial statements.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Restatement of Net Position

During 2024, there was a change in accounting principle related to the implementation of GASB Statement No. 101, “Compensated Absences”. The effect of changing the accounting principle is shown in the table below.

	12/31/2023 As Previously Reported	Adjustment - changes from nonmajor fund to major fund	Restatement - change in Accounting Principle	12/31/2023 As Restated
Net Position				
Governmental Activities	\$ 69,541,659	\$ -	\$ (1,359,389)	\$ 68,182,270
Business-Type Activities	<u>14,957,321</u>	<u>-</u>	<u>(15,658)</u>	<u>14,941,663</u>
Total Net Position	<u>\$ 84,498,980</u>	<u>\$ -</u>	<u>\$ (1,375,047)</u>	<u>\$ 83,123,933</u>
Proprietary Funds				
Major Funds:				
Broadband Fund	\$ 14,957,321	\$ -	\$ (15,658)	\$ 14,941,663
Total Proprietary Funds	<u>\$ 14,957,321</u>	<u>\$ -</u>	<u>\$ (15,658)</u>	<u>\$ 14,941,663</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

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

B. Cash in Segregated Accounts

At December 31, 2024, the City had \$701,621 in bank accounts outside of the City Treasury related to employee wage deferrals and Mayor’s Court operations. These amounts are included on the financial statements as “cash and cash equivalents in segregated accounts” and are included in deposits with financial institutions below.

C. Cash with Fiscal Agent

At December 31, 2024, the City had \$172 in bank accounts outside of the City Treasury related to interest revenue earned on debt service payments. These amounts are included on the financial statements as “cash and cash equivalents with fiscal agent” and represent uncollateralized deposits exposed to custodial credit risk, as discussed below.

D. Deposits with Financial Institutions

At December 31, 2024, the carrying amount of all City deposits was \$20,506,003 and the bank balance of all City deposits, including cash in segregated accounts, was \$21,620,522. Of the bank balance, \$6,295,194 was covered by the Federal Deposit Insurance Corporation (FDIC), \$13,322,661 was covered by the Ohio Pooled Collateral System (OPCS) and \$2,002,667 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment, whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. The City has no deposit policy for custodial credit risk beyond the requirements of the State statute. For 2024, one of the City’s financial institutions was approved for a reduced collateral rate of 85 percent through the OPCS. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

E. Investments

As of December 31, 2024, the City had the following investment and maturity:

Investment Type	Measurement/Amount	Investment Maturity	
		6 months or less	More than 6 months
Amortized Cost: STAR Ohio	\$ 14,206,885	\$ 14,206,885	\$ 0

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2024:

Measurement / Investment Type	Measurement Amount	% of Total
Amortized Cost:		
STAR Ohio	\$ 14,206,885	100%

F. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of December 31, 2024:

<u>Cash and Investments per Footnote</u>		
Cash on hand	\$ 1,400	
Cash in segregated accounts	701,621	
Cash with fiscal agent	172	
Carrying amount of deposits	20,506,003	
Investments	<u>14,206,885</u>	
Total	<u>\$ 35,416,081</u>	

<u>Cash and Investments per Statement of Net Position</u>		
Governmental activities	\$ 31,541,190	
Business-type activities	3,177,421	
Fiduciary funds	697,470	
Total	<u>\$ 35,416,081</u>	

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2024 consisted of the following:

<u>Transfers from general fund to:</u>	
Capital improvement fund	\$ 750,000
Nonmajor governmental funds	794,900
Total	<u>\$ 1,544,900</u>

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

B. Due from/to other funds consisted of the following at December 31, 2024:

<u>Receivable fund:</u>	<u>Payable fund:</u>	
General fund	Rosemont Greens public improvement TIF fund	\$ 1,354,048
General fund	Federal grants fund	805,000
Total		<u>\$ 2,159,048</u>

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2024 public utility property taxes became a lien December 31, 2023, are levied after October 1, 2024, and are collected in 2024 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 6 - PROPERTY TAXES - (Continued)

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Fairlawn. The Summit County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2024 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2024 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation.

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

The full tax rate for all City operations for the year ended December 31, 2024 was \$2.70 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2024 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 255,771,690
Commercial/industrial/mineral	174,930,970
<u>Public utility</u>	
Personal	6,128,430
Total assessed value	<u><u>\$ 436,831,090</u></u>

NOTE 7 - LOCAL INCOME TAX

The City levies a municipal income tax of 2 percent on gross salaries, wages, and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of business operations within the City. Residents of the City are granted a credit of up to 2 percent for taxes paid to other municipalities.

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

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

NOTE 8 - RECEIVABLES

- A. Receivables at December 31, 2024 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2024.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 8 - RECEIVABLES - (Continued)

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

	Governmental Activities	Business-type Activities
Income taxes	\$ 2,913,795	\$ -
Real and other taxes	1,116,886	-
Payments in lieu of taxes	1,801,221	-
Accounts	628,462	154,931
Special assessments	220,000	-
Accrued interest	9,878	-
Due from other governments	739,008	85
Total	<u>\$ 7,429,250</u>	<u>\$ 155,016</u>

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

B. Lease Receivable

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

The City is reporting leases receivable of \$323,773 in the general fund at December 31, 2024. For 2024, the City recognized interest revenue of \$13,275.

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

Year	Principal	Interest	Total
2025	\$ -	\$ 10,038	\$ 10,038
2026	-	10,038	10,038
2027	-	10,916	10,916
2028	-	11,544	11,544
2029	-	11,544	11,544
2030-2034	-	62,191	62,191
2035-2039	-	71,519	71,519
2040-2044	-	82,247	82,247
2045-2049	7,472	87,112	94,584
2050-2054	49,872	58,899	108,771
2055-2059	78,860	46,228	125,088
2060-2064	116,949	26,902	143,851
2065-2067	<u>70,620</u>	<u>3,585</u>	<u>74,205</u>
Total	<u>\$ 323,773</u>	<u>\$ 492,763</u>	<u>\$ 816,536</u>

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 9 - CAPITAL ASSETS

Capital assets of the governmental activities for the year ended December 31, 2024 were as follows:

	Balance 12/31/2023	Additions	Disposals	Balance 12/31/2024
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 6,132,383	\$ -	\$ (10,241)	\$ 6,122,142
Construction in progress	960,115	52,160	(862,199)	150,076
Total capital assets, not being depreciated/amortized	7,092,498	52,160	(872,440)	6,272,218
<i>Capital assets, being depreciated/amortized:</i>				
Buildings and improvements	14,435,011	1,002,057	-	15,437,068
Land improvements	3,607,980	-	-	3,607,980
Licensed vehicles	4,988,251	433,603	(118,384)	5,303,470
Machinery and equipment	4,172,630	808,219	(350,344)	4,630,505
Infrastructure	91,608,101	824,808	-	92,432,909
<i>Intangible right to use assets:</i>				
Equipment	52,837	10,573	(10,416)	52,994
Software	121,149	37,557	(2,997)	155,709
Total capital assets, being depreciated/amortized	118,985,959	3,116,817	(482,141)	121,620,635
<i>Less: accumulated depreciation/amortization</i>				
Buildings and improvements	(6,890,090)	(295,596)	-	(7,185,686)
Land improvements	(1,958,577)	(96,901)	-	(2,055,478)
Licensed vehicles	(2,828,865)	(308,931)	103,458	(3,034,338)
Machinery and equipment	(2,899,804)	(185,395)	205,918	(2,879,281)
Infrastructure	(49,234,882)	(1,581,811)	-	(50,816,693)
<i>Intangible right to use assets:</i>				
Equipment	(19,228)	(13,218)	10,416	(22,030)
Software	(42,087)	(45,823)	2,997	(84,913)
Total accumulated depreciation/amortization	(63,873,533)	(2,527,675)	322,789	(66,078,419)
Total capital assets, being depreciated/amortized, net	55,112,426	589,142	(159,352)	55,542,216
Governmental activities capital assets, net	\$ 62,204,924	\$ 641,302	\$ (1,031,792)	\$ 61,814,434

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

<u>Governmental Activities:</u>	
General government	\$ 116,578
Security of persons and property	396,375
Transportation	1,290,768
Community environment	1,183
Leisure time activity	79,211
Utility services	643,560
Total depreciation/amortization expense	\$ 2,527,675

CITY OF FAIRLAWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital assets of the business-type activities for the year ended December 31, 2024 were as follows:

	Balance 12/31/2023	Additions	Disposals	Balance 12/31/2024
<u>Business-Type Activities:</u>				
<i>Capital assets, being depreciated/amortized:</i>				
Licensed vehicles	\$ 44,539	\$ -	\$ -	\$ 44,539
Machinery and equipment	3,491,375	48,208	-	3,539,583
Infrastructure	12,294,804	124,776	-	12,419,580
Intangible right to use assets:				
Buildings	661,287	-	-	661,287
Equipment	32,379	-	-	32,379
Software	85,269	-	-	85,269
Total capital assets, being depreciated/amortized	<u>16,609,653</u>	<u>172,984</u>	<u>-</u>	<u>16,782,637</u>
<i>Less: accumulated depreciation/amortization:</i>				
Licensed vehicles	(13,734)	(4,354)	-	(18,088)
Machinery and equipment	(1,207,906)	(242,649)	-	(1,450,555)
Infrastructure	(2,198,816)	(497,308)	-	(2,696,124)
Intangible right to use assets:				
Buildings	(178,324)	(89,162)	-	(267,486)
Equipment	(17,312)	(8,656)	-	(25,968)
Software	(28,423)	(28,423)	-	(56,846)
Total accumulated depreciation/amortization	<u>(3,644,515)</u>	<u>(870,552)</u>	<u>-</u>	<u>(4,515,067)</u>
Total capital assets, being depreciated/amortized, net	<u>12,965,138</u>	<u>(697,568)</u>	<u>-</u>	<u>12,267,570</u>
Business-type capital assets, net	<u>\$ 12,965,138</u>	<u>\$ (697,568)</u>	<u>\$ -</u>	<u>\$ 12,267,570</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. Description of Long-Term Obligations

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

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

CITY OF FAIRLAWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Changes in Long-Term Obligations

During 2024, the following changes occurred in governmental activities long-term obligations:

	(Restated)			Amounts			
	Balance		Reductions	Balance	Due Within One Year		
	12/31/2023	Additions		12/31/2024			
Governmental Activities:							
<u>Long term note</u>							
2017 Real property note	293,899	-	(68,188)	225,711	71,597		
<u>Net pension liability</u>							
OPERS	6,636,359	-	(1,172,184)	5,464,175	-		
OP&F	12,533,544	945,830	-	13,479,374	-		
Total net pension liability	19,169,903	945,830	(1,172,184)	18,943,549	-		
<u>Net OPEB liability</u>							
OPERS	132,331	-	(132,331)	-	-		
OP&F	939,414	79,251	-	1,018,665	-		
Total net OPEB liability	1,071,745	79,251	(132,331)	1,018,665	-		
<u>Other long-term obligations</u>							
Lease-purchase	8,610,000	-	(245,000)	8,365,000	255,000		
Add: Unamortized premium	484,992	-	(21,086)	463,906	-		
Leases payable	33,737	10,573	(13,159)	31,151	12,463		
SBITA payable	78,704	37,557	(49,365)	66,896	49,474		
Compensated absences*	3,417,245	6,263	-	3,423,508	1,127,871		
Total other long-term obligations	12,624,678	54,393	(328,610)	12,350,461	1,444,808		
Total governmental activities	<u><u>\$ 33,160,225</u></u>	<u><u>\$ 1,079,474</u></u>	<u><u>\$ (1,701,313)</u></u>	<u><u>\$ 32,538,386</u></u>	<u><u>\$ 1,516,405</u></u>		

* - The change in compensated absences above is a net change for the year.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

During 2024, the following changes occurred in business-type activities long-term obligations:

	(Restated)			Balance 12/31/2024	Additions	Reductions	Amounts Due Within One Year				
	Balance 12/31/2023										
Business-Type Activities:											
<u>Net pension liability</u>											
OPERS	\$ 502,879	\$ 49,204	\$ -	\$ 552,083	\$ -	\$ -	\$ -				
<u>Net OPEB liability</u>											
OPERS	10,028	-	(10,028)	-	-	-	-				
<u>Other long-term obligations</u>											
Leases payable	505,763	-	(96,135)	409,628	94,780						
SBITA payable	38,166	-	(18,311)	19,855	19,855						
Compensated absences*	62,250	5,415	-	67,665	26,209						
Total other long-term obligations	<u>606,179</u>	<u>5,415</u>	<u>(114,446)</u>	<u>497,148</u>	<u>140,844</u>						
Total business-type activities	<u><u>\$ 1,119,086</u></u>	<u><u>\$ 54,619</u></u>	<u><u>\$ (124,474)</u></u>	<u><u>\$ 1,049,231</u></u>	<u><u>\$ 140,844</u></u>						

* - The change in compensated absences above is a net change for the year.

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

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

C. Debt Service Requirements

The following is a schedule of principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2024:

Year	Governmental Activities			Governmental Activities		
	Long-Term Note			Lease-Purchase		
	Principal	Interest	Total	Principal	Interest	Total
2025	71,597	11,286	82,883	255,000	325,600	\$ 580,600
2026	75,177	7,706	82,883	260,000	320,500	580,500
2027	78,937	3,946	82,883	265,000	314,000	579,000
2028	-	-	-	275,000	303,400	578,400
2029	-	-	-	285,000	292,400	577,400
2030-2034	-	-	-	1,605,000	1,281,600	2,886,600
2035-2039	-	-	-	1,950,000	934,000	2,884,000
2040-2044	-	-	-	2,380,000	511,200	2,891,200
2045-2046	-	-	-	1,090,000	65,800	1,155,800
Total	\$ 225,711	\$ 22,938	\$ 248,649	\$ 8,365,000	\$ 4,348,500	\$ 12,713,500

Year	Governmental Activities			Governmental Activities		
	Leases Payable			SBITA Payable		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 12,463	\$ 539	\$ 13,002	49,474	1,952	51,426
2026	9,661	285	9,946	10,470	698	11,168
2027	9,027	90	9,117	3,407	283	3,690
2028	-	-	-	3,545	144	3,689
2029	-	-	-	-	-	-
Total	\$ 31,151	\$ 914	\$ 32,065	\$ 66,896	\$ 3,077	\$ 69,973

Year	Business-Type Activities			Business-Type Activities		
	Leases Payable			SBITA Payable		
	Principal	Interest	Total	Principal	Interest	Total
2025	94,780	6,408	101,188	19,855	1,016	20,871
2026	90,211	4,789	95,000	-	-	-
2027	91,803	3,197	95,000	-	-	-
2028	93,422	1,578	95,000	-	-	-
2029	39,412	172	39,584	-	-	-
Total	\$ 409,628	\$ 16,144	\$ 425,772	\$ 19,855	\$ 1,016	\$ 20,871

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Conduit Debt Obligations

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

As of December 31, 2024, there was one series of Health Care Facilities Revenue Bonds with an aggregate outstanding principal amount payable of \$1,040,000 and an original issue amount of \$10,000,000.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

City employees are granted vacation, sick leave, and comp time in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation, sick leave, and comp time at the employee's current pay rate upon separation from employment.

Employees earn ten to thirty days of vacation per year, depending upon length of service. Vacation accumulation is typically limited to one year. Employees may carry over vacation earned for three years prior to their retirement date. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 1.25 days per month of service. Upon retirement, employees hired before January 1, 2010 are eligible to receive payment for accumulated unused sick days. The exact terms vary in accordance with the negotiated collective bargaining agreement in effect. In most cases, the sick leave termination payment is limited to a maximum of 75 days. Employees with a hire date subsequent to December 31, 2009 are not eligible to receive termination payments for sick leave, unless they are retiring from the City on a disability retirement approved by OPERS or OP&F.

As of December 31, 2024, the total liability for unpaid compensated absences was \$3,423,508 in the governmental activities and \$67,665 in the business-type activities.

B. Health Care Benefits

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2024, the City contracted with Selective Insurance Company for general liability, automobile, buildings and contents, boiler and machinery, employee dishonesty, faithful performance of duty, firefighters, and EMT errors and omissions coverage for the policy period covering September 1, 2024 through August 31, 2025. The City carries a \$3,000,000 general liability aggregate limit, a \$1,000,000 automobile liability limit, and a \$10,000,000 umbrella liability limit extending coverage on the general, automobile, police professional liability and public official's liability.

Selective Insurance Company and Greenwich Insurance Company insure law enforcement and public officials liability for the policy period covering July 19, 2024 through July 18, 2025. The City carries a \$1,000,000 limit for each.

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability

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

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions 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 net pension/OPEB liability (asset) represents the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability 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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. In October 2023, the legislature approved House Bill (HB) 33 which allows for the consolidation of the combined plan with the traditional plan with the timing of the consolidation at the discretion of OPERS. As of December 31, 2023, the consolidation has not been executed and the 2023 financial statements are not impacted. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Traditional plan state and local members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

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.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	State and Local	
	Traditional	Combined
2024 Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
2024 Actual Contribution Rates		
Employer:		
Pension ****	14.0 %	12.0 %
Post-employment Health Care Benefits ****	<u>0.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>
Employee		
	<u>10.0 %</u>	<u>10.0 %</u>

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

**** These pension and employer health care rates are for the traditional and combined plans.

The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan and Member-Directed Plan was \$470,387 for 2024. Of this amount, \$50,305 is reported as due to other governments.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2024 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2024 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$921,174 for 2024. Of this amount, \$101,183 is reported as due to other governments.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.02416800%	0.00167400%	0.13194550%	
Proportion of the net pension liability/asset current measurement date	<u>0.02298000%</u>	<u>0.00115500%</u>	<u>0.13951810%</u>	
Change in proportionate share	<u>-0.00118800%</u>	<u>-0.00051900%</u>	<u>0.00757260%</u>	
Proportionate share of the net pension liability	\$ 6,016,258	\$ -	\$ 13,479,374	\$ 19,495,632
Proportionate share of the net pension asset	-	(129)	-	(129)
Pension expense	530,336	(12)	1,295,738	1,826,062

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Deferred outflows of resources				
Differences between expected and actual experience	\$ 98,331	\$ 267	\$ 432,726	\$ 531,324
Net difference between projected and actual earnings on pension plan investments	1,214,334	20	1,527,498	2,741,852
Changes of assumptions	-	7	851,883	851,890
Changes in employer's proportionate percentage/ difference between employer contributions	47,346	-	477,022	524,368
Contributions subsequent to the measurement date	466,481	3,906	921,174	1,391,561
Total deferred outflows of resources	\$ 1,826,492	\$ 4,200	\$ 4,210,303	\$ 6,040,995
 Deferred inflows of resources				
Differences between expected and actual experience	\$ -	\$ -	\$ 150,751	\$ 150,751
Changes of assumptions	-	-	204,700	204,700
Changes in employer's proportionate percentage/ difference between employer contributions	208,533	-	368,750	577,283
Total deferred inflows of resources	\$ 208,533	\$ -	\$ 724,201	\$ 932,734

\$1,391,561 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net pension liability/asset in the year ending December 31, 2025.

CITY OF FAIRLAWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OP&F	Total
2025	\$ 184,670	\$ 46	\$ 587,186	\$ 771,902
2026	364,805	46	682,091	1,046,942
2027	774,921	53	1,091,029	1,866,003
2028	(172,918)	28	44,017	(128,873)
2029	-	27	158,773	158,800
Thereafter	-	94	1,832	1,926
Total	<u>\$ 1,151,478</u>	<u>\$ 294</u>	<u>\$ 2,564,928</u>	<u>\$ 3,716,700</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. The total pension liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2023, compared to the December 31, 2022 actuarial valuation, are presented below.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Wage inflation	
Current measurement date	2.75%
Prior measurement date	2.75%
Future salary increases, including inflation	
Current measurement date	2.75% to 10.75% including wage inflation
Prior measurement date	2.75% to 10.75% including wage inflation
COLA or ad hoc COLA	
Current measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 2.30%, simple through 2024, then 2.05% simple
Prior measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2023, then 2.05% simple
Investment rate of return	
Current measurement date	6.90%
Prior measurement date	6.90%
Actuarial cost method	Individual entry age

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

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.20% for 2023.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed income	24.00 %	2.85 %
Domestic equities	21.00	4.27
Real estate	13.00	4.46
Private equity	15.00	7.52
International equities	20.00	5.16
Risk Parity	2.00	4.38
Other investments	5.00	3.46
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 6.90% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Current		
	1% Decrease	Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 9,471,207	\$ 6,016,258	\$ 3,142,745
Member-Directed Plan	(92)	(129)	(162)

Actuarial Assumptions - OP&F

OP&F's total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No.67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. A comprehensive experience study was performed during 2022 by OP&F's actuary and completed as of December 31, 2021. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The changes in assumptions are being amortized over the estimated remaining useful life of the participants which was 6.03 years at December 31, 2023.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2023, compared to December 31, 2022, are presented below.

Valuation date	1/1/23 with actuarial liabilities rolled forward to 12/31/23
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year

Service Retiree and Vested Former Member Mortality

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

Disabled Mortality

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

Contingent Annuitant Mortality

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

Pre-Retirement Mortality

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return**
Domestic equity	18.60 %	4.10 %
Non-US equity	12.40	4.90
Private markets	10.00	7.30
Core fixed income *	25.00	2.40
High yield fixed income	7.00	4.10
Private credit	5.00	6.80
U.S. inflation linked bonds *	15.00	2.10
Midstream energy infrastructure	5.00	5.80
Real assets	8.00	6.00
Gold	5.00	3.50
Private real estate	12.00	5.40
Commodities	<u>2.00</u>	3.50
 Total	 <u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2x

** Net of expected inflation.

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

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

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

	Current		
	1% Decrease	Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 17,854,435	\$ 13,479,374	\$ 9,841,085

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS

Net OPEB Liability (Asset)

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. 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. Retirees in the Traditional Pension and Combined plans may have an allowance credited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program.

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Age 65 or older Retirees - Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees - Based on the following age-and-service criteria:

Group A - 30 years of total service with at least 20 years of qualified health care service credit;

Group B - 31 years of total service credit with at least 20 years of qualified health care service credit;

Group C - 32 years of total service credit with at least 20 years of qualified health care service credit.

Age 59 or younger - Based on the following age-and-service criteria:

Group A - 30 years of qualified health care service credit;

Group B - 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52;

Group C - 32 years of qualified health care service credit and at least age 55.

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

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

Group A	Group B	Group C
Age and Service Requirements <i>December 1, 2014 or Prior</i> Any Age with 10 years of service credit <i>January 1, 2015 through December 31, 2021</i> Age 60 with 20 years of service credit or Any Age with 30 years of service credit	Age and Service Requirements <i>December 1, 2014 or Prior</i> Any Age with 10 years of service credit <i>January 1, 2015 through December 31, 2021</i> Age 52 with 31 years of service credit or Age 60 with 20 years of service credit or Any Age with 32 years of service credit	Age and Service Requirements <i>December 1, 2014 or Prior</i> Any Age with 10 years of service credit <i>January 1, 2015 through December 31, 2021</i> Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B and C.

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

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Monthly allowances range between 51.00% and 90.00% of the base allowance for both non-Medicare and Medicare retirees.

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

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

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

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10.00% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20.00% per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024, state and local employers contributed at a rate of 14.00% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a 2.00% allocation to health care for the Combined Plan which has continued through 2024. 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 2024 was 4.00%. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,563 for 2024. Of this amount, \$167 is reported as due to other governments.

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

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

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

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

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 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2024, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The City's contractually required contribution to OP&F was \$22,140 for 2024. Of this amount, \$2,432 is reported as due to other governments.

Net OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows or 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, 2022, rolled forward to the measurement date of December 31, 2023, 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, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

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

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.02257800%	0.13194600%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.02147500%</u>	<u>0.13951810%</u>	
Change in proportionate share	<u>-0.00110300%</u>	<u>0.00757210%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 1,018,665	\$ 1,018,665
Proportionate share of the net OPEB asset	(193,817)	-	(193,817)
OPEB expense	(23,919)	111,602	87,683

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 48,985	\$ 48,985
Net difference between projected and actual earnings on OPEB plan investments	116,397	75,222	191,619
Changes of assumptions	49,898	350,535	400,433
Changes in employer's proportionate percentage/ difference between employer contributions	5,475	135,129	140,604
Contributions subsequent to the measurement date	1,563	22,140	23,703
Total deferred outflows of resources	<u>\$ 173,333</u>	<u>\$ 632,011</u>	<u>\$ 805,344</u>
 Deferred inflows of resources			
Differences between expected and actual experience	\$ 27,586	\$ 187,203	\$ 214,789
Changes of assumptions	83,316	655,998	739,314
Changes in employer's proportionate percentage/ difference between employer contributions	4,390	57,318	61,708
Total deferred inflows of resources	<u>\$ 115,292</u>	<u>\$ 900,519</u>	<u>\$ 1,015,811</u>

\$23,703 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net OPEB liability in the year ending December 31, 2025.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Year Ending December 31:	OPERS	OP&F	Total
2025	\$ (4,798)	\$ 41,486	\$ 36,688
2026	9,972	(48,650)	(38,678)
2027	90,604	(25,994)	64,610
2028	(39,300)	(83,235)	(122,535)
2029	-	(86,294)	(86,294)
Thereafter	-	(87,961)	(87,961)
Total	<u>\$ 56,478</u>	<u>\$ (290,648)</u>	<u>\$ (234,170)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Wage Inflation	
Current measurement date	2.75%
Prior Measurement date	2.75%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75%
	including wage inflation
Prior Measurement date	2.75 to 10.75%
	including wage inflation
Single Discount Rate:	
Current measurement date	5.70%
Prior Measurement date	5.22%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	3.77%
Prior Measurement date	4.05%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2038
Prior Measurement date	5.50% initial, 3.50% ultimate in 2036
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 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.00% for 2023.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00 %	2.82 %
Domestic equities	25.00	4.27
Real Estate Investment Trusts (REITs)	5.00	4.68
International equities	25.00	5.16
Risk parity	3.00	4.38
Other investments	5.00	2.43
Total	100.00 %	

Discount Rate - A single discount rate of 5.70% was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22%. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.77%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70%, as well as what the proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.70%) or one-percentage-point higher (6.70%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability/(asset)	\$ 106,516	\$ (193,817)	\$ (442,600)

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

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 201,865	\$ (193,817)	\$ 184,685

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, 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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Key methods and assumptions used in the December 31, 2023, compared to the December 31, 2022 actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected Salary Increases	
Current measurement date	3.75% to 10.50%
Prior measurement date	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	4.07%
Prior measurement date	4.27%
Cost of Living Adjustments	2.20% simple per year

Service Retiree and Vested Former Member Mortality

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

Disabled Mortality

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

Contingent Annuitant Mortality

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

Pre-Retirement Mortality

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return**
Domestic equity	18.60 %	4.10 %
Non-US equity	12.40	4.90
Private markets	10.00	7.30
Core fixed income *	25.00	2.40
High yield fixed income	7.00	4.10
Private credit	5.00	6.80
U.S. inflation linked bonds *	15.00	2.10
Midstream energy infrastructure	5.00	5.80
Real assets	8.00	6.00
Gold	5.00	3.50
Private real estate	12.00	5.40
Commodities	2.00	3.50
 Total	 <u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2x

** Net of expected inflation.

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

Discount Rate - Total OPEB liability was calculated using the discount rate of 4.07%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50% was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38% was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07%.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate -
Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.07%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07%), or one percentage point higher (5.07%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,254,712	\$ 1,018,665	\$ 819,866

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	General Fund	Rosemont Greens Public Improvement TIF Fund	Federal Grants Fund
Budget basis	\$ (2,395,699)	\$ 600,279	\$ (562,045)
Net adjustment for revenue accruals	86,913	(800,000)	(199,785)
Net adjustment for expenditure accruals	1,329,453	(77,280)	(528,694)
Adjustment for encumbrances	<u>1,713,183</u>	<u>190,094</u>	<u>1,290,524</u>
GAAP basis	<u><u>\$ 733,850</u></u>	<u><u>\$ (86,907)</u></u>	<u><u>\$ -</u></u>

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16 - FUND BALANCE

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

Fund balance	General	Rosemont Greens Greens Public Improvement TIF	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 613,004	\$ -	\$ -	\$ -	\$ 613,004
Prepayments	287,840	- -	24,170	- -	312,010
Unclaimed monies	12,124	- -	- -	- -	12,124
Total nonspendable	912,968	- -	24,170	- -	937,138
Restricted:					
Capital improvements	- -	- -	6,931,146	- -	6,931,146
Law enforcement	- -	- -	- -	167,365	167,365
Police and fire pensions	- -	- -	- -	597,310	597,310
Sewer maintenance	- -	- -	- -	690,834	690,834
Streets and highways	- -	- -	- -	1,510,363	1,510,363
Other purposes	- -	- -	- -	327,199	327,199
Total restricted	- -	- -	6,931,146	3,293,071	10,224,217
Committed:					
Law enforcement	5,000	- -	- -	- -	5,000
Assigned:					
Encumbrances	1,189,150	- -	- -	- -	1,189,150
Subsequent year appropriations	1,579,635	- -	- -	- -	1,579,635
Total assigned	2,768,785	- -	- -	- -	2,768,785
Unassigned (deficit)	18,665,958	(318,757)	- -	- -	18,347,201
Total fund balances	\$ 22,352,711	\$ (318,757)	\$ 6,955,316	\$ 3,293,071	\$ 32,282,341

NOTE 17 - CONTINGENCIES

A. Federal and State Grants

The City receives financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2024.

B. Litigation

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 18 - CONTRACTUAL AND OTHER COMMITMENTS

Encumbrances

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

<u>Governmental funds</u>	
General fund	\$ 1,189,150
Rosemont Greens public improvement TIF fund	93,683
Federal grants fund	730,536
Capital improvement fund	1,038,716
Nonmajor governmental funds	<u>88,277</u>
Total	<u><u>\$ 3,140,362</u></u>

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS

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

NOTE 20 - SUBSEQUENT EVENTS

On November 19, 2025, the City issued \$10,210,000 of general obligation various purpose improvement bonds to fund various capital projects. The bonds are being issued for the following purposes: Improving the City's municipal parks and recreation system by constructing, renovating, improving, and equipping Bicentennial Park in the City, and all necessary appurtenances thereto; Constructing, renovating, equipping and improving the Bancroft Road Pump Station #5, including all necessary appurtenances thereto; and Improving the City's municipal parks and recreation system by constructing, improving and equipping of an approximately 62-acre park in the City known as the Rosemont Preserve, including stream and wetland restoration and the construction of recreation trails, and all necessary appurtenances thereto. The interest rate on the bonds is 5.00% and the maturity date is December 1, 2045, with optional redemption beginning December 1, 2035.

NOTE 21 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 21 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO – (Continued)

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

The City is a charter municipal corporation incorporated under the laws of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, the City’s primary government and basic financial statements include component units which are defined as legally separate organizations for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the organization’s board and either 1) the City’s ability to impose its will over the organization, or 2) the possibility that the organization will provide a financial benefit or impose a financial burden to the City. The CIC is a legally separate entity and is reported by the City as a discretely presented component unit in the City’s basic financial statements. The CIC does not have any component units and does not include any other organizations in its presentation. The CIC’s management believes these basic financial statements present all activities for which the CIC is financially accountable.

Summary of Significant Accounting Policies

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

A. Basis of Accounting

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

B. Basis of Presentation

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

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

C. Federal Income Tax

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

D. Cash and Cash Equivalents

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 21 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO – (Continued)

E. Assets Held for Sale

Assets held for sale represent real property acquired by the CIC, which will be sold for development purposes. These items are reported at their acquisition values.

F. Prepayments

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

G. Net Position

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

H. Estimates

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

I. Accountability and Compliance

For 2024, the CIC has implemented certain paragraphs from GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "Omnibus 2022", GASB Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62", Implementation Guide No. 2023-1 and GASB Statement No. 101, "Compensated Absences".

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on balances previously report by the CIC.

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

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the CIC.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the CIC.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 21 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO – (Continued)

GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of GASB Statement No. 101 did not have an effect on the financial statements of the CIC.

J. Deposits

At December 31, 2024, the carrying amount of the CIC's deposits was \$285,312 and the bank balance of the CIC's deposits was \$285,312. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation and \$35,312 was exposed to custodial credit risk, as discussed below.

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

K. Rent Receivable

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

The future minimum payments as of December 31, 2024, were as follows:

Year	Future Minimum Payments	
2025	\$	67,050
2026	\$	67,050
2027	\$	67,050
2028	\$	67,050
2029	\$	67,050
2030-2033	<u>268,200</u>	
Total	<u>\$</u>	<u>603,450</u>

L. Loans Receivable

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 21 - COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO – (Continued)

M. Assets Held for Sale

Assets held for sale activity for the year ended December 31, 2024 was as follows:

	Balance 12/31/23	Additions	Disposals	Balance 12/30/24
Assets held for sale	\$ 21,915	\$ 274,999	\$ (296,914)	\$ -

N. Contributions To/From City of Fairlawn

1. Cash

The CIC did not receive any cash contributions from the City in 2024.

Pursuant to Resolution 2024-002 and Section 1724.10 of the Ohio Revised Code, the CIC remitted \$61,894.06 in excess sales proceeds to the City in 2024.

2. Property

Donations of property received by the CIC are recorded as contributions at their estimated acquisition value at the date of donation and are reported as increases to assets held for sale. The CIC received one parcel of real property from the City during the year, with an estimated acquisition value of \$274,999, which was subsequently sold to RALACA, LLC.

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

O. Services

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

P. Risk Management

The CIC entered into a risk management agreement with Auto-Owners Insurance Company for general liability insurance and with Travelers Casualty and Surety Company for directors and officers liability insurance. The CIC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For 2024, the CIC had general liability insurance through Auto-Owners Insurance Company and directors and officers liability insurance through Travelers Casualty and Surety Company.

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

Q. Litigation

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

R. Subsequent Events

On February 13, 2025, the Board of Trustees authorized the payment of \$274,000 in excess sales proceeds to the City, pursuant to Resolution 2025-001 and Section 1724.10 of the Ohio Revised Code.

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY AND
CITY PENSION CONTRIBUTIONS**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) - TRADITIONAL PLAN

LAST TEN FISCAL YEARS

Calendar Year (1)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.022980000%	\$ 6,016,258	\$ 3,777,514	159.27%	79.01%
2023	0.024168000%	7,139,238	3,748,514	190.46%	75.74%
2022	0.024794000%	2,157,178	3,625,586	59.50%	92.62%
2021	0.024983000%	3,699,438	3,987,864	92.77%	86.88%
2020	0.024704000%	4,882,913	3,458,943	141.17%	82.17%
2019	0.024336000%	6,665,137	3,286,950	202.78%	74.70%
2018	0.025511000%	4,002,181	3,239,638	123.54%	84.66%
2017	0.024803000%	5,632,340	3,229,808	174.39%	77.25%
2016	0.024912000%	4,315,072	3,105,650	138.94%	81.08%
2015	0.023637000%	2,850,886	2,906,808	98.08%	86.45%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 466,481	\$ (466,481)	\$ -	\$ 3,332,007	14.00%
2023	528,852	(528,852)	-	3,777,514	14.00%
2022	524,792	(524,792)	-	3,748,514	14.00%
2021	507,582	(507,582)	-	3,625,586	14.00%
2020	558,301	(558,301)	-	3,987,864	14.00%
2019	484,252	(484,252)	-	3,458,943	14.00%
2018	460,173	(460,173)	-	3,286,950	14.00%
2017	421,153	(421,153)	-	3,239,638	13.00%
2016	387,577	(387,577)	-	3,229,808	12.00%
2015	372,678	(372,678)	-	3,105,650	12.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION ASSET AND
CITY PENSION CONTRIBUTIONS**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) - COMBINED PLAN

LAST TEN FISCAL YEARS

Calendar Year (1)	City's Proportion of the Net Pension Asset	City's Proportionate Share of the Net Pension Asset	City's Covered Payroll	City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.000000000%	\$ -	\$ -	0.00%	144.55%
2023	0.000000000%	-	-	0.00%	137.14%
2022	0.000000000%	-	-	0.00%	169.88%
2021	0.000000000%	-	-	0.00%	157.67%
2020	0.000000000%	-	-	0.00%	145.28%
2019	0.000000000%	-	-	0.00%	126.64%
2018	0.000000000%	-	-	0.00%	137.28%
2017	0.000000000%	-	-	0.00%	116.55%
2016	0.014030000%	6,827	59,025	11.57%	116.90%
2015	0.016754000%	6,451	61,242	10.53%	114.83%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ -	\$ -	\$ -	\$ -	12.00%
2023	-	-	-	-	12.00%
2022	-	-	-	-	14.00%
2021	-	-	-	-	14.00%
2020	-	-	-	-	14.00%
2019	-	-	-	-	14.00%
2018	-	-	-	-	14.00%
2017	-	-	-	-	13.00%
2016	-	-	-	-	12.00%
2015	7,083	(7,083)	-	59,025	12.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION ASSET AND
CITY PENSION CONTRIBUTIONS**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) - MEMBER DIRECTED PLAN

LAST TEN FISCAL YEARS

Calendar Year (1)	City's Proportion of the Net Pension Asset	City's Proportionate Share of the Net Pension Asset	City's Covered Payroll	City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.001155000%	\$ 129	\$ 8,510	1.52%	134.44%
2023	0.001674000%	131	11,510	1.14%	126.74%
2022	0.002902000%	527	18,190	2.90%	171.84%
2021	0.002787000%	508	16,740	3.03%	188.21%
2020	0.003125000%	118	18,580	0.64%	118.84%
2019	0.003422000%	78	19,560	0.40%	113.42%
2018	0.003422000%	119	18,760	0.63%	124.46%
2017	0.003573000%	15	14,683	0.10%	103.40%
2016	0.003709000%	14	20,658	0.07%	103.91%
2015	n/a	n/a	n/a	0.00%	107.10%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 3,906	\$ (3,906)	\$ -	\$ 39,060	10.00%
2023	851	(851)	-	8,510	10.00%
2022	1,151	(1,151)	-	11,510	10.00%
2021	1,819	(1,819)	-	18,190	10.00%
2020	1,674	(1,674)	-	16,740	10.00%
2019	1,858	(1,858)	-	18,580	10.00%
2018	1,956	(1,956)	-	19,560	10.00%
2017	1,876	(1,876)	-	18,760	10.00%
2016	1,762	(1,762)	-	14,683	12.00%
2015	2,479	(2,479)	-	20,658	12.00%

(1) Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.
n/a - information not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

Calendar Year (1)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.139518100%	\$ 13,479,374	\$ 4,080,747	330.32%	63.63%
2023	0.131945500%	12,533,544	3,689,727	339.69%	62.90%
2022	0.132568600%	8,282,119	3,448,819	240.14%	75.03%
2021	0.137308400%	9,360,437	3,907,857	239.53%	70.65%
2020	0.139438500%	9,393,322	3,358,505	279.69%	69.89%
2019	0.145404000%	11,868,809	3,336,222	355.76%	63.07%
2018	0.147398000%	9,046,466	3,139,305	288.17%	70.91%
2017	0.133227000%	8,438,464	2,913,374	289.65%	68.36%
2016	0.136728000%	8,795,761	2,827,364	311.09%	66.77%
2015	0.135173900%	7,002,572	2,735,974	255.94%	72.20%
Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>Police:</i>					
2024	\$ 504,137	\$ (504,137)	\$ -	\$ 2,653,353	19.00%
2023	465,933	(465,933)	-	2,452,279	19.00%
2022	439,364	(439,364)	-	2,312,442	19.00%
2021	400,087	(400,087)	-	2,105,721	19.00%
2020	454,815	(454,815)	-	2,393,763	19.00%
2019	380,914	(380,914)	-	2,004,811	19.00%
2018	372,853	(372,853)	-	1,962,384	19.00%
2017	345,693	(345,693)	-	1,819,437	19.00%
2016	327,066	(327,066)	-	1,721,400	19.00%
2015	317,509	(317,509)	-	1,671,100	19.00%
<i>Fire:</i>					
2024	\$ 417,037	\$ (417,037)	\$ -	\$ 1,774,626	23.50%
2023	382,690	(382,690)	-	1,628,468	23.50%
2022	323,662	(323,662)	-	1,377,285	23.50%
2021	315,628	(315,628)	-	1,343,098	23.50%
2020	355,812	(355,812)	-	1,514,094	23.50%
2019	318,118	(318,118)	-	1,353,694	23.50%
2018	322,852	(322,852)	-	1,373,838	23.50%
2017	310,169	(310,169)	-	1,319,868	23.50%
2016	280,114	(280,114)	-	1,191,974	23.50%
2015	271,722	(271,722)	-	1,156,264	23.50%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT AND TEN FISCAL YEARS

Fiscal Year (1) (2)	City's Proportion of the Net OPEB Liability/(Asset)	City's Proportionate Share of the Net OPEB Liability/(Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)
2024	0.021475000%	\$ (193,817)	\$ 3,786,024	5.12%	107.76%
2023	0.022578000%	142,359	3,760,024	3.79%	94.79%
2022	0.023192000%	(726,409)	3,643,776	19.94%	128.23%
2021	0.023377000%	(416,480)	4,004,604	10.40%	115.57%
2020	0.023130000%	3,194,854	3,477,523	91.87%	47.80%
2019	0.022796000%	2,972,060	3,306,510	89.89%	46.33%
2018	0.023930000%	2,598,622	3,239,638	80.21%	54.14%
2017	0.023253000%	2,348,618	3,244,491	72.39%	54.05%

Fiscal Year	Contributions in Relation to the Contractually Required Contributions		Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 1,563	\$ (1,563)	\$ -	\$ 3,371,067	0.05%
2023	340	(340)	-	3,786,024	0.01%
2022	460	(460)	-	3,760,024	0.01%
2021	728	(728)	-	3,643,776	0.02%
2020	669	(669)	-	4,004,604	0.02%
2019	743	(743)	-	3,477,523	0.02%
2018	783	(783)	-	3,306,510	0.02%
2017	33,146	(33,146)	-	3,258,398	1.02%
2016	65,430	(65,430)	-	3,244,491	2.02%
2015	63,294	(63,294)	-	3,185,333	1.99%

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

(2) Information prior to 2017 is not available. Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT AND TEN FISCAL YEARS

Fiscal Year (1) (2)	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.139518100%	\$ 1,018,665	\$ 4,080,747	24.96%	51.89%
2023	0.131945500%	939,414	3,689,727	25.46%	52.59%
2022	0.132568600%	1,453,066	3,448,819	42.13%	46.86%
2021	0.137308400%	1,454,805	3,907,857	37.23%	45.42%
2020	0.139438500%	1,377,336	3,358,505	41.01%	47.08%
2019	0.145404000%	1,324,126	3,336,222	39.69%	46.57%
2018	0.147398000%	8,351,342	3,139,305	266.03%	14.13%
2017	0.133227000%	6,323,986	2,913,374	217.07%	15.96%

Fiscal Year	Contributions in Relation to the Contractually Required Contributions				Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	
<i>Police:</i>					
2024	\$ 13,267	\$ (13,267)	\$ -	\$ 2,653,353	0.50%
2023	11,289	(11,289)	-	2,452,279	0.50%
2022	11,562	(11,562)	-	2,312,442	0.50%
2021	10,529	(10,529)	-	2,105,721	0.50%
2020	11,969	(11,969)	-	2,393,763	0.50%
2019	10,024	(10,024)	-	2,004,811	0.50%
2018	9,812	(9,812)	-	1,962,384	0.50%
2017	9,097	(9,097)	-	1,819,437	0.50%
2016	8,607	(8,607)	-	1,721,400	0.50%
2015	8,581	(8,581)	-	1,671,100	0.50%
<i>Fire:</i>					
2024	\$ 8,873	\$ (8,873)	\$ -	\$ 1,774,626	0.50%
2023	7,604	(7,604)	-	1,628,468	0.50%
2022	6,886	(6,886)	-	1,377,285	0.50%
2021	6,715	(6,715)	-	1,343,098	0.50%
2020	7,570	(7,570)	-	1,514,094	0.50%
2019	6,768	(6,768)	-	1,353,694	0.50%
2018	6,869	(6,869)	-	1,373,838	0.50%
2017	6,599	(6,599)	-	1,319,868	0.50%
2016	5,960	(5,960)	-	1,191,974	0.50%
2015	5,781	(5,781)	-	1,156,264	0.50%

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

(2) Information prior to 2017 is not available. Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Change in benefit terms:

- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

Change in assumptions:

- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25%, (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75% and (d) COLA for post 1/7/2013 retirees were changed to 3.00%, simple through 2018, then 2.15% simple.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- For 2020, COLA for post 1/7/2013 retirees were changed to 1.40%, simple through 2020, then 2.15% simple.
- For 2021, COLA for post 1/7/2013 retirees were changed to 0.50%, simple through 2021, then 2.15% simple.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%.
- For 2023, COLA for post 1/7/2013 retirees were changed to 3.00%, simple through 2023, then 2.05% simple.
- For 2024, COLA for post 1/7/2013 retirees were changed to 2.30%, simple through 2024, then 2.05% simple.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Change in benefit terms:

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

Changes in assumptions:

- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- There were no changes in assumptions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the actuarially assumed rate of return was changed from 8.00% to 7.50%.
- For 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.
- There were no changes in assumptions for 2024.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Change in benefit terms:

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Change in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) the investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.50%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) wage inflation changed from 3.25% to 2.75%, (b) projected salary increases, including inflation changed from 3.25%-10.75% to 2.75%-10.75%, (c) the municipal bond rate was changed from 2.00% to 1.84% and (d) the health care cost trend rate was changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22%, (b) the municipal bond rate was changed from 1.84% to 4.05% and (c) the health care cost trend rate was changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.
- For 2024, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the single discount rate changed to 5.70%, (b) the municipal bond rate was changed to 3.77% and (c) the health care cost trend rate was changed to 5.50% initial, 3.50% ultimate in 2038.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Change in benefit terms:

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Change in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) investment rate of return was reduced from 8.25% to 8.00%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66% and (b) the municipal bond rate was increased from 3.16% to 4.13%.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% down to 3.56% and (b) the municipal bond rate was decreased from 4.13% to 2.75%.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.56% down to 2.96% and (b) the municipal bond rate was decreased from 2.75% to 2.12%.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the investment rate of return was changed from 8.00% to 7.50%, (b) the discount rate was changed from 2.96% to 2.84% and (c) the municipal bond rate was decreased from 2.12% to 2.05%.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was changed from 2.84% to 4.27%, (b) the municipal bond rate was increased from 2.05% to 3.65%, and (c) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.
- For 2024, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was changed to 4.07% and (b) the municipal bond rate was changed to 3.38%.



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

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

To the Honorable Mayor and Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fairlawn, Summit County, Ohio (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 21, 2025. We also noted the City adopted new accounting guidance in *Governmental Accounting Standards Board Statement No. 101, Compensated Absences*.

Report on Internal Control Over Financial Reporting

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

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

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

City of Fairlawn
Summit County
Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 3

Report on Compliance and Other Matters

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

Purpose of This Report

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

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

November 21, 2025

OHIO AUDITOR OF STATE KEITH FABER



CITY OF FAIRLAWN

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/30/2025

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

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