

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2024**

***Zupka & Associates***  
**Certified Public Accountants**





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City Council  
City of Pepper Pike  
28000 Shaker Blvd.  
Pepper Pike, Ohio 44124

We have reviewed the *Independent Auditor's Report* of the City of Pepper Pike, Cuyahoga County, prepared by Zupka & Associates, for the audit period January 1, 2024 through December 31, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER  
Ohio Auditor of State

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

December 08, 2025

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**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2024**

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<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-11
Basic Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	18
Fire Levy Fund	19
Statement of Fiduciary Net Position – Custodial Fund	20
Statement of Changes in Fiduciary Net Position – Custodial Fund	21
Notes to the Basic Financial Statements	22-68
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability – Ohio Public Employees' Retirement System of Ohio – Traditional Plan – Last Ten Years	70-71
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset) – Ohio Public Employees' Retirement System of Ohio – OPEB Plan - Last Eight Years	72-73
Schedule of the City's Proportionate Share of the Net Pension Liability – Ohio Police and Fire Pension System of Ohio – Last Ten Years	74-75
Schedule of the City's Proportionate Share of the Net OPEB Liability – Ohio Police and Fire Pension System of Ohio – Last Eight Years	76-77
Schedule of the City's Contributions – Ohio Public Employees' Retirement System of Ohio – Net Pension Liability - Traditional Plan - Last Ten Years	78-79
Net OPEB Liability – OPEB Plan	78-79
Ohio Police and Fire Pension Fund – Net Pension Liability	80-81
Net OPEB Liability	80-81
Notes to the Required Supplementary Information	82-85
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86-87
Schedule of Prior Audit Findings and Recommendations	88

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## INDEPENDENT AUDITOR'S REPORT

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Blvd.  
Pepper Pike, Ohio 44124

To the Members of City Council:

### Report on the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike as of December 31, 2024, and the respective changes in financial position and the budgetary comparisons for the General Fund and the Fire Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

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

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

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

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

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

***Emphasis of Matter***

As discussed in Note 18 to the basic financial statements, 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.

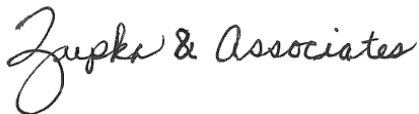


***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Zupka & Associates  
Certified Public Accountants

July 28, 2025

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**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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The discussion and analysis of the City of Pepper Pike'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 are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and the notes thereof.

**Financial Highlights**

Key financial highlights for 2024 are as follows:

- The City's net position increased during 2024 due primarily to (1) increases in cash and cash equivalents resulting from total cash revenues outpacing cash expenditures, as well as increases to net capital assets from current year additions outpacing annual depreciation and deletions and (2) decreases in current liabilities due to a decrease in retainage payable, contracts payable and unearned revenue related to American Rescue Plan grants, as well as changes in the net pension and OPEB liabilities.
- Capital asset additions consisted of construction in progress for various street reconstruction projects, city hall renovations, and multi-purpose trails within the City. Additional items include infrastructure, furniture, fixtures and equipment for security and technology, and vehicles for police and fire.
- Outstanding long-term obligations decreased due to a decrease in the net pension and OPEB liabilities and paying down debt service. The only new long-term obligation issued during the year was a subscription payable for law enforcement software.

**Using this Annual Financial Report**

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

***Government-wide financial statements – Reporting the City of Pepper Pike as a Whole***

*Statement of Net Position and the Statement of Activities*

The Statement of Net Position presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating; however, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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***Fund Financial Statements – Reporting the City of Pepper Pike’s Most Significant Funds***

*Fund Financial Statements*

The analysis of the City’s major funds begins with the discussion of the balance sheet. 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, fire levy special revenue fund, bond retirement debt service fund and the capital improvement capital projects fund.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance 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. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Pepper Pike’s own programs.

**Government-wide Financial Analysis – City of Pepper Pike as a Whole**

As noted earlier, the Statement of Net Position looks at the City as a whole and can prove to be a useful indicator of the City’s financial position. Table 1 provides a summary of the City’s net position for 2024 as compared to 2023.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2024  
Unaudited

Table 1  
Net Position

	Governmental Activities		
	2024	2023	Change
<b>Assets</b>			
Current and Other Assets	\$46,524,542	\$44,380,183	\$2,144,359
Noncurrent Assets:			
Net OPEB Asset	100,243	0	100,243
Capital Assets, Net	42,340,495	39,670,196	2,670,299
<i>Total Assets</i>	<u>88,965,280</u>	<u>84,050,379</u>	<u>4,914,901</u>
<b>Deferred Outflows of Resources</b>			
Pension	3,605,506	4,545,157	(939,651)
OPEB	459,148	732,686	(273,538)
<i>Total Deferred Outflows of Resources</i>	<u>4,064,654</u>	<u>5,277,843</u>	<u>(1,213,189)</u>
<b>Liabilities</b>			
Current Liabilities and Other Liabilities	1,308,524	1,936,161	627,637
Long-term Liabilities			
Due Within One Year	951,673	746,932	(204,741)
Due In More Than One Year			
Net Pension Liability	11,879,790	12,377,249	497,459
Net OPEB Liability	662,100	724,848	62,748
Other Amounts	4,886,966	4,867,301	(19,665)
<i>Total Liabilities</i>	<u>19,689,053</u>	<u>20,652,491</u>	<u>963,438</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,694,051	4,136,234	(557,817)
Leases	463,410	547,393	83,983
Pension	711,549	898,149	186,600
OPEB	667,403	755,686	88,283
<i>Total Deferred Inflows of Resources</i>	<u>6,536,413</u>	<u>6,337,462</u>	<u>(198,951)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	36,909,607	33,502,187	3,407,420
Restricted for:			
Capital Projects	6,184,421	7,009,089	(824,668)
Debt Service	4,495,514	4,992,825	(497,311)
OPEB Plan	100,243	0	100,243
Other Purposes	4,756,329	4,581,471	174,858
Unrestricted	14,358,354	12,252,697	2,105,657
<i>Total Net Position</i>	<u>\$66,804,468</u>	<u>\$62,338,269</u>	<u>\$4,466,199</u>

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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***New Accounting Pronouncements***

For 2024, the City implemented GASB Statement No. 101 *Compensated Absences*. The City also implemented GASB Statement No. 100 *Accounting Changes and Error Corrections*, which does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The implementation of GASB 101 resulted in recognizing an additional compensated absences liabilities of \$548,947 in governmental activities at January 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense (see Note 18).

***Governmental Activities***

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2024. 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.

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/OPEB asset/liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total assets for governmental activities increased due to an increase in cash and cash equivalents and capital assets, net of depreciation and amortization. Cash increased due to greater property taxes and interest received. Capital Assets increased due to current year additions outpacing annual depreciation/amortization and disposals. Current liabilities decreased due to a decrease in contracts payable, retainage payable, unearned revenue related to American Rescue Plan grants, and accrued vacation leave payable. Long-term liabilities decreased from decreases in the net pension and OPEB liabilities and paying down debt. The decreases in the net pension and OPEB liabilities is attributable to changes into the pension system valuations.

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

Table 2 shows the changes in net position for 2024 compared to 2023.

Table 2  
Changes in Net Position

	Governmental Activities		
	2024	2023	Change
<b>Program Revenues</b>			
Charges for Services and Sales	\$755,750	\$732,727	\$23,023
Operating Grants	1,341,213	1,360,315	(19,102)
Capital Grants and Assessments	353,031	3,660,006	(3,306,975)
<i>Total Program Revenues</i>	<u>2,449,994</u>	<u>5,753,048</u>	<u>(3,303,054)</u>
<b>General Revenues</b>			
Property Taxes	4,160,682	4,144,343	16,339
Income Taxes	8,156,997	8,891,544	(734,547)
Admissions Taxes	469,787	413,447	56,340
Franchise Tax	75,650	78,255	(2,605)
Grants and Entitlements	353,253	393,697	(40,444)
Investment Earnings/Interest	1,381,458	1,298,172	83,286
Gain on Sale of Capital Assets	29,808	15,800	14,008
Other	670,545	258,544	412,001
<i>Total General Revenues</i>	<u>15,298,180</u>	<u>15,493,802</u>	<u>(195,622)</u>
<i>Total Revenues</i>	<u>17,748,174</u>	<u>21,246,850</u>	<u>(3,498,676)</u>
<b>Program Expenses</b>			
General Government	1,596,513	1,640,118	43,605
Security of Persons and Property	6,174,626	5,898,347	(276,279)
Public Health Services	56,329	50,100	(6,229)
Leisure Time Activities	996	343	(653)
Community Environment	377,514	326,496	(51,018)
Basic Utility Services	1,078,692	1,180,473	101,781
Transportation	3,251,140	2,937,500	(313,640)
Interest	197,218	155,900	(41,318)
<i>Total Program Expenses</i>	<u>12,733,028</u>	<u>12,189,277</u>	<u>(543,751)</u>
<i>Change in Net Position</i>	<u>5,015,146</u>	<u>9,057,573</u>	<u>(4,042,427)</u>
Net Position Beginning of Year	<u>61,789,322</u>	<u>53,280,696</u>	<u>8,508,626</u>
Net Position End of Year	<u>\$66,804,468</u>	<u>\$62,338,269</u>	<u>\$4,466,199</u>

***New Accounting Pronouncements***

The preceding table separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections* does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2023 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, *Compensated Absences*. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 18.)

**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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***Governmental Activities***

Funding for the governmental activities comes from several different sources, with the most significant being the municipal income tax. Other prominent sources of revenue are property taxes and grants in the form of federal and State funding.

The City's income tax rate is 1.0 percent. Both residents of the City and nonresidents who work inside the City are subject to the income tax.

The City realized an increase in property tax revenue which is a sign of a healthy economy for the City of Pepper Pike and surrounding areas along with having additional cash for investments coupled with changes in the taxable value of property located within City limits.

Program expenses increased primarily due to increased spending in the police, fire, and transportation departments, as a result of a 3 percent increase in base salaries.

**The City's Funds**

Information about the City's major funds starts with the balance sheet. These funds are accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, fire levy special revenue fund, bond retirement debt service fund and the capital improvement capital projects fund. The general fund had an increase in fund balance during the year as revenues and other financing sources exceeded expenditures and other financing uses, even with the general fund heavily subsidizing other governmental programs. City Council's 2024 budget ensured that the City's general fund would see an increase in fund balance. The fire levy special revenue fund had an increase in fund balance due to property taxes and service charges being enough to exceed current year expenditures. The City continues to seek out additional sources of revenues to maintain the current level of services. The bond retirement fund had an increase in fund balance as property taxes and assessments continue to exceed the payments related to the debt. The capital improvement fund had a decrease in fund balance due to expenditures outpacing revenues and a decrease in general fund subsidies.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than custodial funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public; the budget is adopted at an object level by City Council. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. Council must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of the current year, the City amended its general fund budget several times. The Finance Department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

In 2024, the general fund's actual revenue was less than the final revenue estimate as intergovernmental revenues came in lower than expected. Actual expenditures plus other financing uses were under the final budget due to management carefully planning the City's final budget to ensure an improvement to the general fund balance.



**City of Pepper Pike, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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## **Capital Assets and Long-term Obligations**

### ***Capital Assets***

Governmental capital assets, net of depreciation and amortization, increased due to current year additions outpacing annual depreciation/amortization and disposals. Primary additions included construction in progress for various street reconstruction projects, city hall renovations, and multi-purpose trails within the City. Additional items include infrastructure, furniture, fixtures and equipment for security and technology, and vehicles for police and fire. Vehicles are planned for in advance by the respective department heads and a scheduled maintenance and replacement time table is followed to provide peak performance for the life of the asset. Police cars are usually replaced when they have been driven approximately 80,000 miles. The older vehicles are either traded in to the dealers or sold to the highest bidder in the open market.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack sealed and in the case of concrete roads, either replaced or repaired. After approval from Council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the current operating funds of the City. In the case of a major resurfacing project on one of the main arteries in the City, as mentioned, the City has effectively pursued external sources of funding twenty to thirty percent of the project in the form of grants and loan assistance programs from State Issue II funds thereby reducing the total amount to be borrowed to provide the matching funds. Additional information concerning the City's capital assets can be found in Note 7 to the basic financial statements.

### ***Outstanding Long-Term Obligations***

The bonds and OPWC loans in governmental activities are to finance various improvement projects and will be paid from the bond retirement fund with property taxes and special assessments. The compensated absences category represents accrued sick leave payable to employees and will be paid from the general and fire levy special revenue funds. The City also carries various lease and subscription obligations, which will be paid from the general fund. Employer pension/OPEB contributions are made from the general and fire levy special revenue funds. As of December 31, 2024, the City's overall legal debt margin was \$55,493,459. The unvoted legal debt margin was \$29,309,069. Additional information concerning the City's long-term obligations can be found in Note 14 to the basic financial statements.

### **Current Related Financial Activities**

The City is facing some financial challenges as are most other communities in the County. City Council and the administration have taken steps to counter these challenges by putting in measures to cut expenditures and also increase revenues. The City has also established an oversight committee to meet regularly with the Finance Director, review the financial reports in detail, and report back to Council every month. The City's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City with full disclosure of the financial position of the City.

### **Contacting the City of Pepper Pike'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 Finance Department, at the City of Pepper Pike, 28000 Shaker Boulevard, Pepper Pike, Ohio 44124, and phone number (216) 831-8500.

**City of Pepper Pike, Ohio**

*Statement of Net Position*

*December 31, 2024*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$33,837,617
Property Taxes Receivable	4,799,714
Income Taxes Receivable	2,358,292
Accounts Receivable	326,580
Intergovernmental Receivable	662,648
Lease Receivable	463,410
Accrued Interest Receivable	157,209
Materials and Supplies Inventory	119,835
Prepaid Items	91,878
Special Assessments Receivable	3,707,359
Net OPEB Asset (See Note 11)	100,243
Nondepreciable Capital Assets	3,512,646
Depreciable Capital Assets, Net	38,827,849
<i>Total Assets</i>	<u>88,965,280</u>
<b>Deferred Outflows of Resources</b>	
Pension	3,605,506
OPEB	459,148
<i>Total Deferred Outflows of Resources</i>	<u>4,064,654</u>
<b>Liabilities</b>	
Accounts Payable	276,837
Contracts Payable	329,212
Accrued Wages	61,991
Intergovernmental Payable	215,256
Retainage Payable	90,241
Unearned Revenue	94,636
Deposits Held Payable	214,850
Accrued Interest Payable	14,198
Accrued Vacation Leave Payable	11,303
Long-Term Liabilities:	
Due Within One Year	951,673
Due In More Than One Year	
Net Pension Liability (See Note 10)	11,879,790
Net OPEB Liability (See Note 11)	662,100
Other Amounts	4,886,966
<i>Total Liabilities</i>	<u>19,689,053</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	4,694,051
Leases	463,410
Pension	711,549
OPEB	667,403
<i>Total Deferred Inflows of Resources</i>	<u>6,536,413</u>
<b>Net Position</b>	
Net Investment in Capital Assets	36,909,607
Restricted for:	
Capital Projects	6,184,421
Debt Service	4,495,514
OPEB Plan	100,243
Other Purposes	4,756,329
Unrestricted	14,358,354
<i>Total Net Position</i>	<u>\$66,804,468</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants	Capital Grants and Assessments	
	Expenses				Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$1,596,513	\$120,020	\$0	\$92,801	(\$1,383,692)
Security of Persons and Property:					
Police	3,771,547	247,477	18,115	0	(3,505,955)
Fire	2,403,079	216,708	701,555	0	(1,484,816)
Public Health Services	56,329	(33,505)	0	0	(89,834)
Leisure Time Activities	996	87	155,364	0	154,455
Community Environment	377,514	31,003	6,000	0	(340,511)
Basic Utility Services	1,078,692	68,729	0	0	(1,009,963)
Transportation	3,251,140	105,231	460,179	260,230	(2,425,500)
Interest	197,218	0	0	0	(197,218)
<i>Total Governmental Activities</i>	<u>\$12,733,028</u>	<u>\$755,750</u>	<u>\$1,341,213</u>	<u>\$353,031</u>	<u>(10,283,034)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					1,994,322
Debt Service					278,288
Police					139,133
Fire					1,748,939
Municipal Income Taxes Levied					
for General Purposes					8,156,997
Admissions Taxes					469,787
Franchise Tax					75,650
Grants and Entitlements not Restricted					
to Specific Programs					353,253
Investment Earnings/Interest					1,381,458
Gain on Sale of Capital Asset					29,808
Other					670,545
<i>Total General Revenues</i>					<u>15,298,180</u>
Change in Net Position					<u>5,015,146</u>
<i>Net Position Beginning of Year as Previously Reported</i>					62,338,269
Change in Accounting Principle (See Note 18)					<u>(548,947)</u>
<i>Restated Net Position Beginning of Year</i>					<u>61,789,322</u>
<i>Net Position End of Year</i>					<u>\$66,804,468</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2024*

	General	Fire Levy	Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$22,037,822	\$2,317,197	\$787,984	\$4,347,471	\$4,132,293	\$33,622,767
Property Taxes Receivable	2,445,627	1,672,166	340,965	0	340,956	4,799,714
Income Taxes Receivable	2,358,292	0	0	0	0	2,358,292
Accounts Receivable	114,997	192,083	0	19,500	0	326,580
Intergovernmental Receivable	292,637	104,027	17,930	0	248,054	662,648
Lease Receivable	463,410	0	0	0	0	463,410
Accrued Interest Receivable	150,633	0	0	0	6,576	157,209
Materials and Supplies Inventory	7,024	726	0	0	112,085	119,835
Prepaid Items	90,649	1,229	0	0	0	91,878
Special Assessments Receivable	0	0	3,707,359	0	0	3,707,359
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	214,850	0	0	0	0	214,850
<i>Total Assets</i>	<u>\$28,175,941</u>	<u>\$4,287,428</u>	<u>\$4,854,238</u>	<u>\$4,366,971</u>	<u>\$4,839,964</u>	<u>\$46,524,542</u>
<b>Liabilities</b>						
Accounts Payable	\$66,391	\$23,565	\$3,250	\$182,550	\$1,081	\$276,837
Contracts Payable	0	0	0	191,407	137,805	329,212
Accrued Wages	43,133	18,858	0	0	0	61,991
Intergovernmental Payable	147,150	4,222	0	0	63,884	215,256
Deposits Held Payable from Restricted Assets	214,850	0	0	0	0	214,850
Retainage Payable	0	0	0	72,682	17,559	90,241
Unearned Revenue	0	0	0	0	94,636	94,636
<i>Total Liabilities</i>	<u>471,524</u>	<u>46,645</u>	<u>3,250</u>	<u>446,639</u>	<u>314,965</u>	<u>1,283,023</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	2,391,808	1,635,342	333,455	0	333,446	4,694,051
Leases	463,410	0	0	0	0	463,410
Unavailable Revenue	2,174,715	319,866	3,732,799	19,500	218,475	6,465,355
<i>Total Deferred Inflows of Resources</i>	<u>5,029,933</u>	<u>1,955,208</u>	<u>4,066,254</u>	<u>19,500</u>	<u>551,921</u>	<u>11,622,816</u>
<b>Fund Balances</b>						
Nonspendable	97,673	1,955	0	0	112,085	211,713
Restricted	0	2,283,620	784,734	3,900,832	3,860,993	10,830,179
Unassigned	22,576,811	0	0	0	0	22,576,811
<i>Total Fund Balances</i>	<u>22,674,484</u>	<u>2,285,575</u>	<u>784,734</u>	<u>3,900,832</u>	<u>3,973,078</u>	<u>33,618,703</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$28,175,941</u>	<u>\$4,287,428</u>	<u>\$4,854,238</u>	<u>\$4,366,971</u>	<u>\$4,839,964</u>	<u>\$46,524,542</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2024*

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<b>Total Governmental Fund Balances</b>	<b>\$33,618,703</b>
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*Amounts reported for governmental activities in the  
statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,340,495
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	105,663
Income Taxes	1,840,232
Franchise Tax	14,947
Special Assessments	3,707,359
Intergovernmental	500,872
Charges for Services	276,782
Other	<u>19,500</u>

Total	6,465,355
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In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(14,198)
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Accrued vacation leave payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(11,303)
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The net pension liability and net OPEB asset and liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds:

Net OPEB Asset	100,243
Deferred Outflows - Pension	3,605,506
Deferred Outflows - OPEB	459,148
Net Pension Liability	(11,879,790)
Net OPEB Liability	(662,100)
Deferred Inflows - Pension	(711,549)
Deferred Inflows - OPEB	<u>(667,403)</u>

Total	(9,755,945)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Special Assessment Bonds	(3,686,887)
General Obligation Bonds	(268,849)
OPWC Loans	(987,036)
Lease Payable	(11,032)
Subscription Payable	(65,452)
Compensated Absences	<u>(819,383)</u>

Total	<u>(5,838,639)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$66,804,468</u></u>
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See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2024*

	General	Fire Levy	Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$2,014,411	\$1,632,845	\$281,091	\$0	\$281,068	\$4,209,415
Municipal Income Taxes	8,217,843	0	0	0	0	8,217,843
Admissions Taxes	479,338	0	0	0	0	479,338
Charges for Services	115,999	209,622	0	0	0	325,621
Fees, Licenses and Permits	301,306	0	0	0	0	301,306
Fines, Forfeitures and Settlements	30,954	0	0	0	0	30,954
Intergovernmental	344,799	682,369	35,868	260,230	660,496	1,983,762
Special Assessments	0	0	562,324	0	0	562,324
Investment Earnings/Interest	1,297,414	0	0	0	84,044	1,381,458
Rentals	42,645	0	0	0	0	42,645
Franchise Tax	78,307	0	0	0	0	78,307
Lease Revenue	83,983	0	0	0	0	83,983
Other	161,759	103,156	0	381,130	5,000	651,045
<i>Total Revenues</i>	<u>13,168,758</u>	<u>2,627,992</u>	<u>879,283</u>	<u>641,360</u>	<u>1,030,608</u>	<u>18,348,001</u>
<b>Expenditures</b>						
Current:						
General Government	1,377,982	0	1,834	0	0	1,379,816
Security of Persons and Property:						
Police	3,022,507	0	0	0	363,368	3,385,875
Fire	718	1,963,008	0	0	178,370	2,142,096
Public Health Services	54,751	0	0	0	0	54,751
Leisure Time Activities	996	0	0	0	0	996
Community Environment	354,974	0	0	0	15,005	369,979
Basic Utility Services	799,251	0	0	0	0	799,251
Transportation	1,252,247	0	0	0	470,152	1,722,399
Capital Outlay	0	580,652	0	4,550,914	155,364	5,286,930
Debt Service:						
Principal Retirement	23,219	0	675,770	0	0	698,989
Interest	6,422	0	194,175	0	0	200,597
<i>Total Expenditures</i>	<u>6,893,067</u>	<u>2,543,660</u>	<u>871,779</u>	<u>4,550,914</u>	<u>1,182,259</u>	<u>16,041,679</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,275,691</u>	<u>84,332</u>	<u>7,504</u>	<u>(3,909,554)</u>	<u>(151,651)</u>	<u>2,306,322</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	35,908	0	0	0	0	35,908
OPWC Loans Issued	0	0	0	262,850	0	262,850
Inception of Subscription	84,432	0	0	0	0	84,432
Transfers In	0	0	0	3,250,000	303,314	3,553,314
Transfers Out	(3,553,314)	0	0	0	0	(3,553,314)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,432,974)</u>	<u>0</u>	<u>0</u>	<u>3,512,850</u>	<u>303,314</u>	<u>383,190</u>
<i>Net Change in Fund Balances</i>	<u>2,842,717</u>	<u>84,332</u>	<u>7,504</u>	<u>(396,704)</u>	<u>151,663</u>	<u>2,689,512</u>
<i>Fund Balances Beginning of Year</i>	<u>19,831,767</u>	<u>2,201,243</u>	<u>777,230</u>	<u>4,297,536</u>	<u>3,821,415</u>	<u>30,929,191</u>
<i>Fund Balances End of Year</i>	<u>\$22,674,484</u>	<u>\$2,285,575</u>	<u>\$784,734</u>	<u>\$3,900,832</u>	<u>\$3,973,078</u>	<u>\$33,618,703</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, 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*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$2,689,512</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
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 outlay exceeded depreciation/amortization in the current period:	
Capital Asset Additions	4,940,289
Current Year Depreciation/Amortization	<u>(2,194,164)</u>
Total	2,746,125
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(75,826)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	(48,733)
Income Taxes	(60,846)
Admissions Taxes	(9,551)
Charges for Services	9,528
Fines, Forfeitures and Settlements	(38,287)
Intergovernmental	7,167
Special Assessments	(505,756)
Franchise Tax	(2,657)
Other	<u>19,500</u>
Total	(629,635)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	890,545
OPEB	<u>8,505</u>
Total	899,050
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:	
Pension	(1,146,137)
OPEB	<u>(30,769)</u>
Total	(1,176,906)
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.	
OPWC Loans Issued	(262,850)
Inception of Subscription	<u>(84,432)</u>
Total	(347,282)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	698,989
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due:	
Accrued Interest on Bonds	1,815
Amortization of Bond Premium	<u>1,564</u>
Total	3,379
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated Absences	(28,730)
Accrued Vacation Leave Payable	<u>236,470</u>
Total	<u>207,740</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$5,015,146</u></u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2024*

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$1,967,752	\$2,009,230	\$2,014,411	\$5,181
Municipal Income Taxes	7,594,334	8,088,701	8,278,065	189,364
Admissions Taxes	426,544	454,310	464,946	10,636
Charges for Services	101,079	101,294	101,377	83
Fees, Licenses and Permits	276,420	294,413	301,306	6,893
Fines, Forfeitures and Settlements	28,468	30,321	31,031	710
Intergovernmental	575,577	596,004	342,059	(253,945)
Interest	1,185,309	1,262,468	1,292,024	29,556
Rentals	125,398	133,561	136,688	3,127
Franchise Tax	69,414	73,932	75,663	1,731
Other	144,427	160,193	161,408	1,215
<i>Total Revenues</i>	<u>12,494,722</u>	<u>13,204,427</u>	<u>13,198,978</u>	<u>(5,449)</u>
<b>Expenditures</b>				
Current:				
General Government	1,585,284	1,535,124	1,568,378	(33,254)
Security of Persons and Property:				
Police	2,991,236	3,028,522	2,961,785	66,737
Public Health Services	55,442	64,271	54,751	9,520
Leisure Time Activities	1,000	1,000	996	4
Community Environment	319,832	329,500	288,776	40,724
Basic Utility Services	806,652	856,210	811,315	44,895
Transportation	1,267,263	1,412,288	1,278,034	134,254
<i>Total Expenditures</i>	<u>7,026,709</u>	<u>7,226,915</u>	<u>6,964,035</u>	<u>262,880</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,468,013</u>	<u>5,977,512</u>	<u>6,234,943</u>	<u>257,431</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	28,517	30,373	35,908	5,535
Transfers Out	(3,598,198)	(3,553,314)	(3,553,314)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,569,681)</u>	<u>(3,522,941)</u>	<u>(3,517,406)</u>	<u>5,535</u>
<i>Net Change in Fund Balance</i>	1,898,332	2,454,571	2,717,537	262,966
<i>Fund Balance Beginning of Year</i>	19,600,720	19,600,720	19,600,720	0
Prior Year Encumbrances Appropriated	160,103	160,103	160,103	0
<i>Fund Balance End of Year</i>	<u>\$21,659,155</u>	<u>\$22,215,394</u>	<u>\$22,478,360</u>	<u>\$262,966</u>

See accompanying notes to the basic financial statements



**City of Pepper Pike, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2024*

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property Taxes	\$1,805,846	\$1,840,900	\$1,632,845	(\$208,055)
Charges for Services	36,196	167,759	212,033	44,274
Intergovernmental	116,486	539,885	682,369	142,484
Other	17,411	80,696	101,993	21,297
<i>Total Revenues</i>	1,975,939	2,629,240	2,629,240	0
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	2,605,652	2,653,652	2,670,335	(16,683)
<i>Net Change in Fund Balance</i>	(629,713)	(24,412)	(41,095)	(16,683)
<i>Fund Balance Beginning of Year</i>	1,774,062	1,774,062	1,774,062	0
Prior Year Encumbrances Appropriated	430,589	430,589	430,589	0
<i>Fund Balance End of Year</i>	<u>\$1,574,938</u>	<u>\$2,180,239</u>	<u>\$2,163,556</u>	<u>(\$16,683)</u>

See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Fiduciary Net Position*  
*Custodial Fund*  
*December 31, 2024*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$4,141</u>
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**Net Position**

Restricted for Individuals, Organizations and Other Governments	<u>\$4,141</u>
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See accompanying notes to the basic financial statements

**City of Pepper Pike, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*For the Year Ended December 31, 2024*

<b>Additions</b>	\$0
<b>Deductions</b>	<u>0</u>
<i>Change in Fiduciary Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>4,141</u>
<i>Net Position End of Year</i>	<u><u>\$4,141</u></u>
See accompanying notes to the basic financial statements	

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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**Note 1 – Description of the City and Reporting Entity**

The City of Pepper Pike (the “City”) is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on January 1, 1967. The City is governed under the mayor-council form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the legal entity of the City (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity” and Governmental Accounting Standards Board Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB 14 and 34.”

The primary government includes the City departments and agencies that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair and general administrative services.

Water service within the City is provided by the City of Cleveland Water Department and is purchased directly by the consumers. Approximately 800 residential homes, schools and business are served by a sewage collection system that is owned by the City and operated by the County Sanitary Engineer. Approximately 300 of the 800 residential homes have the sewage treated at a plant owned by the Northeast Ohio Regional Sewer District. The remaining homes, schools and businesses operate and maintain private sewage treatment systems that are inspected by the Cuyahoga County Board of Health. The City owns and maintains storm sewers and culverts within the public right-of-way and designated easements for the collection and discharge of storm water.

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

The City participates in the Ohio Municipal League Workers’ Compensation Group Rating Program, the Ohio Government Benefit Cooperative, the Northeast Ohio Public Energy Council, the Valley Enforcement Regional Council of Governments and the Regional Income Tax Agency which are defined as a public entity pool, insurance purchasing pool and jointly governed organizations. These organizations are discussed in Notes 15 and 16 to the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

***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. The City's funds are classified as governmental or fiduciary.

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

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

***Fire Levy Fund*** - The fire levy fund is used to account for and report restricted property tax revenues received from a voted fire tax levy and transfers from the general fund. Monies are used to maintain fire equipment and for salaries of firemen.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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***Bond Retirement Fund*** – The bond retirement fund is used to account for and report restricted property taxes and special assessments for the payment of general long-term debt principal, interest and related costs for various City improvements.

***Capital Improvement Fund*** – The capital improvement fund is used to account for and report restricted grants to be used for various capital improvement projects.

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

***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following 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 arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's fiduciary fund is a custodial fund. The City's custodial fund accounts for amounts collected and distributed on behalf of another organization for the purpose of tree planting.

***Measurement Focus***

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

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from the custodial fund.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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***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 and the statements presented for fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the 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 and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases 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 on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue 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. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments, franchise tax, intergovernmental grants, ambulance charges, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Notes 10 and 11).

***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.

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

For purposes of measuring the net pension/OPEB asset, the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

***Budgetary Process***

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

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

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

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.



**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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During 2024, the City invested in STAR Ohio, a money market account, US treasury bonds and negotiable certificates of deposit. Investments, except for STAR Ohio, are reported at fair value which is based on quoted market prices. The fair value of the money market fund is determined by the fund's current share price.

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

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2024 amounted to \$1,297,414 which includes \$385,590 assigned from other City funds.

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 presented on the financial statements as cash equivalents.

***Inventory***

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

***Prepaid Items***

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money held from property construction deposits.

***Capital Assets***

The City's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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All capital assets (except for intangible right-to-use lease assets and subscription assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of two thousand dollars. 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.

All capital assets are depreciated 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 is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Improvements to Land	20 years
Buildings and Improvements	30-75 years
Vehicles	10 years
Furniture, Fixtures and Equipment	10 years
Infrastructure	20-100 years

The City's infrastructure consists of streets, bridges and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

The City is reporting intangible right to use assets related to lease assets and subscription assets. The lease assets include buildings and equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. Subscription assets represent intangible right to use assets related to the use of another party's IT software and programs. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

### ***Compensated Absences***

For the City, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The City does not offer noncash settlements. The City uses a first-in first-out flow assumption for compensated absences.

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For the City, this leave includes sick and vacation time. However, the City also has certain compensated absences that are dependent upon the occurrence of a sporadic events that affects a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For the City, this type of leave includes bereavement leave, personal leave, on-the-job injury leave, and court leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary related payments.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is more likely than not that the employer will compensate the employees for the benefits through paid time off or will settle the benefits at separation.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to the amount accrued in one year, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

***Net Position***

Net position represents the difference between all other elements in a statement of net position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, 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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the restricted net position, none has resulted from enabling legislation. Restricted net position for the OPEB plan represents the corresponding restricted asset amount held in trust by the OPEB plan for future benefits. Net position restricted for other purposes include resources restricted for street construction, maintenance and repair and the operation of the fire department.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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***Leases and Subscriptions***

The City serves as both lessee and lessor in various noncancellable leases which are accounted for as follows:

***Lessee*** At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

***Lessor*** At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancellable IT software contracts. At the commencement of the subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

***Interfund Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

***Unearned Revenue***

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

**Estimates**

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

**Note 3 – Fund Balances**

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

Fund Balances	General	Fire Levy	Bond Retirement	Capital Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>						
Inventory	\$7,024	\$726	\$0	\$0	\$112,085	\$119,835
Prepays	90,649	1,229	0	0	0	91,878
<b><i>Total Nonspendable</i></b>	<b>97,673</b>	<b>1,955</b>	<b>0</b>	<b>0</b>	<b>112,085</b>	<b>211,713</b>
<b><i>Restricted for</i></b>						
Fire Department	0	2,283,620	0	0	0	2,283,620
Debt Service	0	0	784,734	0	0	784,734
Capital Improvements	0	0	0	3,900,832	2,000,000	5,900,832
Street Construction, Maintenance and Repair	0	0	0	0	1,459,237	1,459,237
Recycle Ohio	0	0	0	0	12,347	12,347
Police Pension	0	0	0	0	168,195	168,195
Fire Pension	0	0	0	0	148,906	148,906
Beautification	0	0	0	0	17,958	17,958
Law Enforcement	0	0	0	0	8,604	8,604
Emergency Assistance	0	0	0	0	11,727	11,727
Municipal Emergency	0	0	0	0	34,002	34,002
Urban Forestry	0	0	0	0	17	17
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,283,620</b>	<b>784,734</b>	<b>3,900,832</b>	<b>3,860,993</b>	<b>10,830,179</b>
<b><i>Unassigned</i></b>	<b>22,576,811</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,576,811</b>
<b><i>Total Fund Balances</i></b>	<b>\$22,674,484</b>	<b>\$2,285,575</b>	<b>\$784,734</b>	<b>\$3,900,832</b>	<b>\$3,973,078</b>	<b>\$33,618,703</b>

**Note 4 – 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 Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

2. Investments are reported at cost (budget) rather than at fair value (GAAP).
3. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
4. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and fire levy fund.

Net Change in Fund Balance		
	General	Fire Levy
GAAP Basis	\$2,842,717	\$84,332
Net Adjustment for Revenue Accruals	(108,519)	1,248
Beginning Fair Value Adjustments for Investments	(233,267)	0
Ending Fair Value Adjustment for Investments	287,574	0
Net Adjustment for Expenditure Accruals	(9,082)	26,966
Encumbrances	(61,886)	(153,641)
Budget Basis	<u>\$2,717,537</u>	<u>(\$41,095)</u>

## **Note 5 – Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For 2024, the City's financial institutions had a required collateral rate of 85 and 102 percent through the OPCS, which the City had a total 284.69 percent collateralized.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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



**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

**Investments**

As of December 31, 2024, the City had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard and Poor's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value Per Share:				
Star Ohio	\$9,705,383	Average 27.2 days	AAAm	N/A
Fair Value - Level One Inputs:				
Money Market Account	1,188,409	7 days	N/A	N/A
Fair Value - Level Two Inputs:				
US Treasury Bonds	3,077,675	Less than one year	AAA	9.43 %
US Treasury Bonds	8,161,299	One to three years	AAA	25.01
US Treasury Bonds	4,286,013	Three to five years	AAA	13.14
Negotiable Certificates of Deposit	2,958,276	Less than one year	N/A	9.07
Negotiable Certificates of Deposit	<u>3,250,071</u>	More than one year	N/A	9.96
Total Portfolio	<u><u>\$32,627,126</u></u>			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2024. The money market account is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City's remaining investments are measured at fair value and is valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Credit Risk** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization. The negotiable certificates of deposit are note rated. The City has no investment policy that addresses credit risk.

**Note 6 - Receivables**

Receivables at December 31, 2024, consisted primarily of municipal income taxes, property taxes, accounts, intergovernmental, and special assessment receivables arising from entitlements and shared revenues, leases, accrued interest on investments and accounts.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

All receivables except property taxes, leases and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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Special assessments expected to be collected in more than one year amount to \$3,159,010 in the bond retirement fund. At December 31, 2024, the amount of delinquent special assessments was \$28,288.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2024 for real and public utility property taxes represents collections of 2023 taxes.

2024 real property taxes are levied after October 1, 2024 on the assessed value as of January 1, 2024 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2024 real property taxes are collected in and intended to finance 2025.

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 personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes which became a lien December 31, 2023, are levied after October 1, 2024, and are collected in 2025 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2024, was \$9.50 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2024 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$473,166,890
Other Real Estate	39,508,560
Public Utility Property	<u>11,012,340</u>
Total Assessed Values	<u>\$523,687,790</u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which are measurable as of December 31, 2024 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2024 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collective delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***Income Taxes***

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. Income tax revenue is credited entirely to the general fund.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 1.11 percent.

***Intergovernmental Receivables***

A summary of intergovernmental receivables as of December 31, 2024 follows:

Homestead and Rollback	\$267,410
Gasoline Tax	182,352
Orange City School District	97,767
Permissive Tax	47,770
Local Government	47,515
FEMA	16,169
Shaker Heights Municipal Court	2,276
EMS Grant	1,389
Total	<u>\$662,648</u>

***Lease Receivable***

The City is reporting leases receivable of \$463,410 in the general fund at December 31, 2024. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2024, the City recognized lease revenue of \$83,983 and interest revenue of \$10,059 in the general fund related to lease payments received. These lease revenue amounts exclude short-term leases. A description of the City's leasing arrangements is as follows:

*Cell Tower Leases* – The City has entered into various lease agreements for cell towers with multiple companies at varying years and terms as follows:

Company	Lease Commencement Date	Years	Lease Ending Date	Payment Method
Crown Castle-Main	2002	26	2028	Monthly
Crown Castle-Sub Lease	2002	26	2028	Monthly
Windstream	2012	20	2032	Monthly

A summary of future lease amounts receivable is as follows:

	General	
Year	Principal	Interest
2025	\$87,230	\$8,503
2026	90,601	6,884
2027	94,089	5,201
2028	44,273	3,868
2029	46,612	2,974
2030-2032	<u>100,605</u>	<u>3,073</u>
Total	<u>\$463,410</u>	<u>\$30,503</u>

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

**Note 7 - Capital Assets**

Capital asset activity for the year ended December 31, 2024, was as follows:

	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024
<b><i>Capital Assets not being Depreciated</i></b>				
Land	\$942,366	\$0	\$0	\$942,366
Construction in Progress	8,972,136	3,960,882	(10,362,738)	2,570,280
<b><i>Total Nondepreciable Capital Assets</i></b>	<b>9,914,502</b>	<b>3,960,882</b>	<b>(10,362,738)</b>	<b>3,512,646</b>
<b><i>Depreciable Capital Assets</i></b>				
<b><i>Tangible Assets</i></b>				
Improvements to Land	247,774	22,217	0	269,991
Buildings and Improvements	5,985,266	2,103,790	0	8,089,056
Vehicles	4,849,353	765,066	(110,980)	5,503,439
Furniture, Fixtures and Equipment	2,821,225	144,758	(176,245)	2,789,738
Infrastructure				
Streets	37,358,535	907,946	(680,960)	37,585,521
Bridges and Culverts	1,145,745	0	0	1,145,745
Sanitary Sewers	14,153,536	7,313,936	0	21,467,472
<b><i>Total Tangible Assets</i></b>	<b>66,561,434</b>	<b>11,257,713</b>	<b>(968,185)</b>	<b>76,850,962</b>
<b><i>Intangible Right to Use</i></b>				
<b><i>Lease Assets</i></b>				
Intangible Right to Use - Equipment	21,516	0	0	21,516
<b><i>Subscription Assets</i></b>				
Intangible Right to Use - Software	0	84,432	0	84,432
<b><i>Total Intangible Assets</i></b>	<b>21,516</b>	<b>84,432</b>	<b>0</b>	<b>105,948</b>
<b><i>Total Capital Assets being Depreciated/Amortized</i></b>	<b>66,582,950</b>	<b>11,342,145</b>	<b>(968,185)</b>	<b>76,956,910</b>
<b><i>Less Accumulated Depreciation/Amortization</i></b>				
<b><i>Depreciation</i></b>				
Improvements to Land	(134,744)	(7,732)	0	(142,476)
Buildings and Improvements	(2,168,973)	(160,877)	0	(2,329,850)
Vehicles	(2,558,337)	(325,516)	85,370	(2,798,483)
Furniture, Fixtures and Equipment	(1,908,827)	(147,132)	126,029	(1,929,930)
Infrastructure				
Streets	(24,831,327)	(1,090,989)	680,960	(25,241,356)
Bridges and Culverts	(227,874)	(11,457)	0	(239,331)
Sanitary Sewers	(4,992,912)	(429,350)	0	(5,422,262)
<b><i>Total Depreciation</i></b>	<b>(36,822,994)</b>	<b>(2,173,053)</b>	<b>892,359</b>	<b>(38,103,688)</b>
<b><i>Amortization</i></b>				
<b><i>Intangible Right to Use</i></b>				
<b><i>Lease Assets</i></b>				
Intangible Right to Use - Equipment	(4,262)	(2,131)	0	(6,393)
<b><i>Subscription Assets</i></b>				
Intangible Right to Use - Software	0	(18,980)	0	(18,980)
<b><i>Total Amortization</i></b>	<b>(4,262)</b>	<b>(21,111)</b>	<b>0</b>	<b>(25,373)</b>
<b><i>Total Accumulated Depreciation/Amortization</i></b>	<b>(36,827,256)</b>	<b>(2,194,164) *</b>	<b>892,359</b>	<b>(38,129,061)</b>
<b><i>Total Capital Assets being Depreciated/Amortized, Net</i></b>	<b>29,755,694</b>	<b>9,147,981</b>	<b>(75,826)</b>	<b>38,827,849</b>
<b><i>Total Capital Assets, Net</i></b>	<b>\$39,670,196</b>	<b>\$13,108,863</b>	<b>(\$10,438,564)</b>	<b>\$42,340,495</b>

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

	Depreciation	Amortization		Total
		Leases	Subscription	
General Government	\$133,105	\$2,131	\$0	\$135,236
Security of Persons and Property:				
Police	135,239	0	18,980	154,219
Fire	87,932	0	0	87,932
Community Development	1,626	0	0	1,626
Basic Utility Services	252,363	0	0	252,363
Transportation	1,562,788	0	0	1,562,788
Total Depreciation/Amortization Expense	\$2,173,053	\$2,131	\$18,980	\$2,194,164

## **Note 8 - Contingencies**

### ***Litigation***

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

### ***Grants***

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

## **Note 9 – Other Employee Benefits**

### ***Compensated Absences***

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation.

Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Unused sick leave can be accumulated up to a max of 144 work days for firefighters and up to a max of 120 work days for all other employees. Any employee who accumulates during the calendar year additional sick leave over the maximum amount will have the excess paid for at the rate of one day's pay for each two days earned. This payment is made with the second pay in January of the subsequent year. Upon retirement or death with at least 20 years of service to the City, the employee will be paid for accumulated sick leave at the rate of one day's pay for every two days accumulated.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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***Insurance***

The City provides medical, prescription, dental, and vision insurances for employees and elected officials. Medical/surgical and prescription insurance was provided through Medical Mutual of Ohio. Dental insurance is provided through TruAssure. Vision insurance is provided through EyeMed. The City pays monthly premiums up to a maximum amount, per union agreements. The additional premium costs are paid by the employee. City premiums are paid from the same funds that pay the employees' salaries.

Life insurance is provided to full-time employees through Symetra for Life. Full-time employees receive \$25,000 term life coverage. The City pays the total monthly premium.

***Deferred Compensation***

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457 and is considered an other employee benefit plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Note 10 – Defined Benefit Pension Plans**

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

***Net Pension Liability (Asset)/Net OPEB Liability (Asset)***

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

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

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

GASB 68/75 assumes the liability 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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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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 *net pension/OPEB asset* or a long-term *net pension/OPEB liability* 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 *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

***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, 2024, the combined plan was consolidated into the traditional pension plan, as approved by the legislature in House Bill 33. The traditional pension plan includes members of the legacy Combined plan, a hybrid defined benefit/defined contribution plan which was closed to new members effective January 1, 2022. New members are no longer able to select the combined plan and current members are no longer able to make a plan change to the combined plan. The combined plan was consolidated into the traditional pension plan effective January 1, 2024, as a separate division. No changes were made to the benefit design features of the combined plan as part of this consolidation so that members in this plan will experience no changes. The City's 2024 net pension liability (asset) for OPERS is measured as of December 31, 2023, and reflects the traditional plan and the combined plan as two separate plans. The City's 2025 financial statements will reflect the effects of the combined plan being consolidated into the traditional pension plan.

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

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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

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 percent. 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 percent.

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 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.



**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

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

For 2024, the City's contractually required contribution was \$288,973 for the traditional plan. Of this amount, \$30,795 is reported as an intergovernmental payable.

***Ohio Police & Fire Pension Fund (OP&F)***

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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced previously 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 3.0 percent 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 3.0 percent 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 Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

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

	<u>Police</u>	<u>Firefighters</u>
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
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 \$601,572 for 2024. Of this amount, \$62,373 is reported as an intergovernmental payable.

***Pension Liabilities (Asset), 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 of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.01191200%	0.09068250%	
Prior Measurement Date	<u>0.01246900%</u>	<u>0.09152410%</u>	
Change in Proportionate Share	<u>-0.00055700%</u>	<u>-0.00084160%</u>	
Proportionate Share of the:			
Net Pension Liability	\$3,118,610	\$8,761,180	\$11,879,790
Pension Expense	229,334	916,803	1,146,137

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

	OPERS Traditional Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$50,971	\$281,260	\$332,231
Changes of assumptions	0	553,697	553,697
Net difference between projected and actual earnings on pension plan investments	629,468	992,826	1,622,294
Changes in proportion and differences between City contributions and proportionate share of contributions	0	206,739	206,739
City contributions subsequent to the measurement date	288,973	601,572	890,545
<b>Total Deferred Outflows of Resources</b>	<b>\$969,412</b>	<b>\$2,636,094</b>	<b>\$3,605,506</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$97,984	\$97,984
Changes of assumptions	0	133,049	133,049
Changes in proportion and differences between City contributions and proportionate share of contributions	103,963	376,553	480,516
<b>Total Deferred Inflows of Resources</b>	<b>\$103,963</b>	<b>\$607,586</b>	<b>\$711,549</b>

\$890,545 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OP&F	Total
Year Ending December 31:			
2025	\$73,082	\$432,648	\$505,730
2026	191,336	442,148	633,484
2027	401,692	630,910	1,032,602
2028	(89,634)	(108,772)	(198,406)
2029	0	29,131	29,131
Thereafter	0	871	871
<b>Total</b>	<b>\$576,476</b>	<b>\$1,426,936</b>	<b>\$2,003,412</b>

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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***Actuarial Assumptions – OPERS***

Actuarial valuations of an ongoing plan involve estimates of the value 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 key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

	<u>OPERS Traditional Plan</u>
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees (Current Year)	2.3 percent, simple through 2024, then 2.05 percent, simple
Post-January 7, 2013 Retirees (Prior Year)	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent 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 11.2 percent for 2023.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 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	<u>100.00%</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 6.9 percent 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 City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.9 percent) or one percentage point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
<b>City's proportionate share of the net pension liability:</b>			
OPERS Traditional Plan	\$4,909,531	\$3,118,610	\$1,620,985

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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***Actuarial Assumptions – OP&F***

The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful life of the participants, which was 6.03 years at December 31, 2023.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2023, are presented as follows:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	2.2 percent simple per year

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 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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

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 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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 Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

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

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 2.0x

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 in the previous table, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** For 2023, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OP&F's fiduciary net position was projected to 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. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$11,604,837	\$8,761,180	\$6,396,405



**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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**Note 11 – Defined Benefit OPEB Plans**

See Note 10 for a description of the net OPEB liability (asset).

***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 deposited 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.

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; or

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

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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**Age 59 or younger Retirees** 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; or

**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:

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
<b>Age and Service Requirements</b> <b><i>December 1, 2014 or Prior</i></b>	<b>Age and Service Requirements</b> <b><i>December 1, 2014 or Prior</i></b>	<b>Age and Service Requirements</b> <b><i>December 1, 2014 or Prior</i></b>
Any Age with 10 years of service credit	Any Age with 10 years of service credit	Any Age with 10 years of service credit
<b><i>January 1, 2015 through</i></b> <b><i>December 31, 2021</i></b>	<b><i>January 1, 2015 through</i></b> <b><i>December 31, 2021</i></b>	<b><i>January 1, 2015 through</i></b> <b><i>December 31, 2021</i></b>
Age 60 with 20 years of service credit or Any Age with 30 years of service credit	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 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. Monthly allowances range between 51 percent and 90 percent 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 percent 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.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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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 percent 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 percent 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 14.0 percent of earnable salary 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 two percent 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 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$268 for 2024. Of this amount, \$29 is reported as an intergovernmental payable.

***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.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

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

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 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$8,237 for 2024. Of this amount, \$1,511 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 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 (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.01110700%	0.09068250%	
Prior Measurement Date	<u>0.01161300%</u>	<u>0.09152410%</u>	
Change in Proportionate Share	<u>-0.00050600%</u>	<u>-0.00084160%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$0	\$662,100	\$662,100
Net OPEB (Asset)	(100,243)	0	(100,243)
OPEB Expense	(12,187)	42,956	30,769

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$31,838	\$31,838
Changes of assumptions	25,808	227,835	253,643
Net difference between projected and actual earnings on OPEB plan investments	60,202	48,892	109,094
Changes in proportion and differences between City contributions and proportionate share of contributions	3,171	52,897	56,068
City contributions subsequent to the measurement date	<u>268</u>	<u>8,237</u>	<u>8,505</u>
Total Deferred Outflows of Resources	<u>\$89,449</u>	<u>\$369,699</u>	<u>\$459,148</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$14,268	\$121,675	\$135,943
Changes of assumptions	43,091	426,377	469,468
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>267</u>	<u>61,725</u>	<u>61,992</u>
Total Deferred Inflows of Resources	<u>\$57,626</u>	<u>\$609,777</u>	<u>\$667,403</u>

\$8,505 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 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 Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

Year Ending December 31:	OPERS	OP&F	Total
2025	(\$773)	\$792	\$19
2026	5,794	(28,187)	(22,393)
2027	46,863	(16,988)	29,875
2028	(20,329)	(57,602)	(77,931)
2029	0	(65,516)	(65,516)
Thereafter	0	(80,814)	(80,814)
Total	<u>\$31,555</u>	<u>(\$248,315)</u>	<u>(\$216,760)</u>

***Actuarial Assumptions – OPERS***

Actuarial valuations of an ongoing plan involve estimates of the value 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 the System and plan members. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent including wage inflation
Single Discount Rate	5.70 percent
Prior Year Single Discount Rate	5.22 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.77 percent
Prior Year Municipal Bond Rate	4.05 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2038
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent 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.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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 14.0 percent for 2023.

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. OPERS' 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 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 Trust	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 percent 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 percent. 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 percent and a municipal bond rate of 3.77 percent. (Fidelity Index's "20-Year Municipal GO AA Index") 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 Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
City's proportionate share of the net OPEB liability (asset)	\$55,091	(\$100,243)	(\$228,915)

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

Retiree health care valuations use a health care cost trend assumption 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 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	(\$104,406)	(\$100,243)	(\$95,520)

***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 Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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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 calculating the total OPEB liability in the latest actuarial valuation are presented as follows:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.50 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended Discount Rate:	
Current measurement rate	4.07 percent
Prior measurement rate	4.27 percent
Cost-of-Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2038

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 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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

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 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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 OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

**Discount Rate** For 2023, the total OPEB liability was calculated using the discount rate of 4.07 percent. 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 7.5 percent. 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 7.5 percent was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38 percent was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07 percent.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

***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. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.07 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07 percent), or one percentage point higher (5.07 percent), than the current rate:

	1% Decrease (3.07%)	Current Discount Rate (4.07%)	1% Increase (5.07%)
City's proportionate share of the net OPEB liability	\$815,525	\$662,100	\$532,888

**Note 12 – Risk Management**

***Workers' Compensation***

The City participates in the Ohio Municipal League Workers' Compensation Group Rating Program. The intent of the program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the program. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the group. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the group rating program.

***Property and Liability***

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 the year, the City contracted with Selective Insurance Group for following types of insurance:

Type	Deductible	Coverage
Property and Equipment	\$5,000	\$13,375,390
Boiler and Machinery	5,000	13,375,390
Inland Marine	1,000	1,239,637
Vehicle	N/A	1,000,000
General Liability	N/A	1,000,000
EMT Liability	N/A	1,000,000
Law Enforcement	5,000	1,000,000
Public Officials Liability	5,000	1,000,000
Umbrella Liability	N/A	10,000,000
Leased/Rented Equipment	1,000	50,000
Employee Theft	10,000	750,000
Vehicle Physical Damage	500	Actual cash value
Emergency Services Portable Equipment	1,000	305,000
Cyber Liability	25,000	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in coverage from the prior year.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

**Note 13 – Interfund Transfers**

Transfer To	Transfer From General
Major Funds:	
Capital Improvement	\$3,250,000
Other Governmental Funds	
Police Pension	200,000
Beautification	10,000
Emergency Capital Improvement	93,314
Total Other Governmental Funds	303,314
Total	\$3,553,314

The transfer to the capital improvement capital projects fund was to provide funding for capital improvements within the City. The general fund transfers to the police pension and beautification special revenue funds and the emergency capital improvement capital projects fund were to supplement funding for maintaining those programs.

**Note 14 – Long-Term Obligations**

A schedule of changes in bonds and other long-term obligations of the City during 2024 follows:

	Principal Outstanding 1/1/2024	Additions	Deletions	Principal Outstanding 12/31/2024	Amounts Due In One Year
<b>Governmental Activities</b>					
<b>Special Assessment Bonds</b>					
2007 4.00 - 5.00% Various Purpose Term Bonds	\$689,010	\$0	(\$164,220)	\$524,790	\$167,790
2008 3.00 - 5.00% Street Improvement Term Bonds	424,769	0	(74,959)	349,810	79,957
2009 2.00 - 4.13% Street Improvement Serial Bonds	1,243,200	0	(186,480)	1,056,720	196,043
Premium on Bonds	9,385	0	(1,564)	7,821	0
2010 2.00 - 4.25% Windy Hill Bonds Serial Bonds	64,798	0	(8,877)	55,921	8,876
2010 2.00 - 4.25% Thornapple Bonds Serial Bonds	28,330	0	(4,420)	23,910	4,420
2021 1.15% Sanitary Sewage System Improvement Term Bonds	431,636	0	(21,721)	409,915	21,970
2023 Shaker Boulevard Sewage System Improvement Term Bonds	1,296,000	0	(38,000)	1,258,000	41,000
<b>Total Special Assessment Bonds</b>	<b>\$4,187,128</b>	<b>\$0</b>	<b>(\$500,241)</b>	<b>\$3,686,887</b>	<b>\$520,056</b>

(continued)

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

	Principal Outstanding 1/1/2024	Additions	Deletions	Principal Outstanding 12/31/2024	Amounts Due In One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2007 4.00 - 5.00% Various Purpose					
Term Bonds	\$275,990	\$0	(\$65,780)	\$210,210	\$67,210
2008 3.00 - 5.00% Street Improvement					
Term Bonds	231	0	(41)	190	43
2009 2.00 - 4.13% Street Improvement					
Serial Bonds	56,800	0	(8,520)	48,280	8,957
2010 2.00 - 4.25% Windy Hill Bonds					
Serial Bonds	8,202	0	(1,123)	7,079	1,124
2010 2.00 - 4.25% Thornapple Bonds					
Serial Bonds	3,670	0	(580)	3,090	580
<b>Total General Obligation Bonds</b>	<b>344,893</b>	<b>0</b>	<b>(76,044)</b>	<b>268,849</b>	<b>77,914</b>
<b>OPWC Loans from Direct Borrowings</b>					
2007 0% Brainard Road	147,361	0	(42,103)	105,258	42,103
2013 0% Lander Road	677,874	0	(58,946)	618,928	58,945
2024 0% Shaker Boulevard	0	262,850	0	262,850	8,762
<b>Total OPWC Loans</b>	<b>825,235</b>	<b>262,850</b>	<b>(101,049)</b>	<b>987,036</b>	<b>109,810</b>
<b>Other Long-term Obligations</b>					
Net Pension Liability:					
OPERS	3,683,348	0	(564,738)	3,118,610	0
OP&F	8,693,901	67,279	0	8,761,180	0
<b>Total Net Pension Liability</b>	<b>12,377,249</b>	<b>67,279</b>	<b>(564,738)</b>	<b>11,879,790</b>	<b>0</b>
Net OPEB Liability:					
OPERS	73,223	0	(73,223)	0	0
OP&F	651,625	10,475	0	662,100	0
<b>Total Net OPEB Liability</b>	<b>724,848</b>	<b>10,475</b>	<b>(73,223)</b>	<b>662,100</b>	<b>0</b>
Leases Payable	15,271	0	(4,239)	11,032	4,368
Subscription Payable	0	84,432	(18,980)	65,452	20,333
Compensated Absences	790,653	28,730	0	819,383	219,192
<b>Total Other Long-term Obligations</b>	<b>13,908,021</b>	<b>190,916</b>	<b>(661,180)</b>	<b>13,437,757</b>	<b>243,893</b>
<b>Total Governmental Activities</b>	<b>\$19,265,277</b>	<b>\$453,766</b>	<b>(\$1,338,514)</b>	<b>\$18,380,529</b>	<b>\$951,673</b>

Special assessment bonds are paid from the bond retirement fund with special assessments levied against benefited property owners. General obligation bonds are being paid from the bond retirement debt service fund. The Ohio Public Works Commission (OPWC) projects are being paid from the bond retirement debt service fund. Increases and decreases to compensated absences are presented net on the preceding table. There is no repayment schedule for the net pension/OPEB liabilities; however, employer pension and OPEB will be paid from the general fund and fire levy special revenue fund. For additional information related to the net pension liability and net OPEB liability, see Notes 10 and 11.

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$987,036 contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

On September 20, 2007, the City issued \$3,475,000 in special assessment and general obligation bonds for Brainard Road storm sewer (\$458,000) and water line projects (\$428,000), construction of water pump stations on Fairmont Brainard Road (\$672,000) and Brainard Road (\$425,000) and Brainard Road Relocation project (\$1,492,000). The bonds consist of serial and term bonds in the amounts of \$1,705,000 and \$1,770,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$1,175,000
2025	\$235,000
2026	245,000
Total mandatory sinking fund payments	480,000
Amount due at stated maturity	255,000
Total	\$735,000
<i>Stated Maturity</i>	<i>12/1/2027</i>

On September 17, 2008, the City issued \$1,260,000 in special assessment and general obligation bonds for the Pepper Hills Wastewater Treatment Plant (\$852,000) and the Cedar Road Sewer (\$408,000). The bonds consist of serial and term bonds in the amounts of \$620,000 and \$640,000, respectively. The bonds were issued for a twenty year period with a final maturity on December 1, 2028.

The term bond maturing on December 1, 2028 is subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$350,000
2025	\$80,000
2026	85,000
2027	90,000
Total mandatory sinking fund payments	255,000
Amount due at stated maturity	95,000
Total	\$350,000
<i>Stated Maturity</i>	<i>12/1/2028</i>

On September 22, 2009, the City issued \$3,460,000 in street improvement special assessment and general obligation bonds. These bonds were issued to help retire \$3,708,000 of notes issued for improvements to the Northwest Quadrant. The bonds were issued for a twenty year period with a final maturity on December 1, 2029.

On July 21, 2010, the City issued \$245,000 in special assessment and general obligation bonds for the Windy Hill Street Waterline and the Thornapple Street Waterline. The bonds were issued for a twenty year period with a final maturity on December 1, 2030.

On August 24, 2021, the City issued \$473,114 in special assessment bonds for the Gates Mills sanitary sewage system improvement bonds. The special assessment bonds consist of term bonds. The bonds were issued for a twenty year period with a final maturity on December 1, 2041.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

The term bonds maturing on December 1, 2041 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$473,114
2025	\$21,970
2026	22,223
2027	22,479
2028	22,737
2029	22,998
2030-2034	119,022
2035-2039	126,024
2040	26,081
Total mandatory sinking fund payments	383,534
Amount due at stated maturity	26,381
Total	\$409,915
<i>Stated Maturity</i>	<i>12/1/2041</i>

On December 12, 2023, the City issued \$1,296,000 in special assessment bonds for Shaker Boulevard sewage system improvement bonds. The special assessment bonds consist of term bonds. The bonds were issued for a twenty year period with a final maturity on December 1, 2043.

The term bonds maturing on December 1, 2043 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$1,296,000
2025	\$41,000
2026	43,000
2027	45,000
2028	48,000
2029	50,000
2030-2034	290,000
2035-2039	371,000
2040-2042	271,000
Total mandatory sinking fund payments	1,159,000
Amount due at stated maturity	99,000
Total	\$1,258,000
<i>Stated Maturity</i>	<i>12/1/2043</i>

On April 4, 2007, the City entered into \$842,061 in an OPWC loan to help finance the Brainard Road Relocation project. The loan is a twenty year interest free with a final maturity on January 1, 2027.

During 2013, the City entered into \$1,178,907 in an OPWC loan to help finance the Lander Road Reconstruction project. The loan is a twenty year interest free with a final maturity on January 1, 2035.

During 2024, the City entered into \$262,850 in an OPWC loan to help finance the Shaker Boulevard Septic Conversion project. The loan is a thirty year interest free with a final maturity on July 1, 2054.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2024

As of December 31, 2024, the City's overall legal debt margin was \$55,493,459. The unvoted legal debt margin was \$29,309,069. Principal and interest requirements to retire the long-term general obligation bonds, special assessment bonds and the OPWC loans as of December 31, 2024 are as follows:

	General Obligation Bonds				Special Assessment Bonds				From Direct
	Serial		Term		Serial		Term		Borrowings
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	OPWC Loan
2024	\$10,661	\$2,308	\$67,253	\$10,520	\$209,339	\$45,942	\$310,717	\$111,595	\$109,810
2025	10,878	1,887	70,116	7,157	214,121	37,601	325,107	96,897	109,810
2026	11,316	1,450	72,979	3,652	223,684	29,000	339,500	81,489	88,760
2027	11,751	995	52	5	233,248	20,017	165,685	65,369	67,707
2029	12,380	545	0	0	244,620	10,630	72,998	57,952	67,706
2030-2034	1,463	62	0	0	11,539	490	409,022	245,572	338,535
2035-2039	0	0	0	0	0	0	497,024	158,048	73,283
2040-2044	0	0	0	0	0	0	422,462	48,446	43,808
2045-2049	0	0	0	0	0	0	0	0	43,808
2050-2054	0	0	0	0	0	0	0	0	43,809
Total	<u>\$58,449</u>	<u>\$7,247</u>	<u>\$210,400</u>	<u>\$21,334</u>	<u>\$1,136,551</u>	<u>\$143,680</u>	<u>\$2,542,515</u>	<u>\$865,368</u>	<u>\$987,036</u>

The City has outstanding agreements to lease copiers and a postage machine and also has an outstanding contract for use of a SBITA vendor's law enforcement software. The future lease/subscription payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the leases/subscriptions. The leases and subscription will be paid from the general fund. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Leases		Subscription	
	Principal	Interest	Principal	Interest
2025	\$4,368	\$273	\$20,333	\$4,667
2026	4,501	140	21,783	3,217
2027	2,163	23	23,336	1,664
Total	<u>\$11,032</u>	<u>\$436</u>	<u>\$65,452</u>	<u>\$9,548</u>

## Note 15 – Public Entity Pools

### *Insurance Purchasing Pools*

#### *Ohio Municipal League Workers' Compensation Group Rating Program*

The City participates in the Ohio Municipal League Workers' Compensation Group Rating Program, an insurance purchasing pool. The program was created for the purpose of reducing the cost of workers' compensation premiums. Each member supports the program by paying an annual participation fee.

#### *Ohio Government Benefit Cooperative*

The City participates in the Ohio Government Benefit Cooperative (OGBC), a claims servicing and group purchasing pool comprised of nine cities. The OGBC is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. The Board of Directors is the governing body of the consortium. Each City appoints one individual to be its representative on the Board of Directors. The City of Willoughby serves as the fiscal agent for OGBC. OGBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and their eligible dependents and designated beneficiaries of such employees.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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Participants pay an initial \$500 membership fee to OGBC. OGBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OGBC's third party administrator. Medical Mutual is the Administrator of the OGBC. During 2024, the City elected to participate in the joint insurance program for medical, prescription drug, and vision coverage. Financial information can be obtained by contacting Cher Hoffman, 1 Public Square, Willoughby, Ohio 44094.

**Note 16 – Jointly Governed Organizations**

***Northeast Ohio Public Energy Council (NOPEC)***

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Pepper Pike did not contribute to NOPEC during 2024. Financial information can be obtained by contacting Chuck Keiper, Executive Director, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

***Valley Enforcement Regional Council of Governments***

The City is a member of Valley Enforcement Regional Council of Governments ("VERCOG"), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. The operation of the VERCOG is controlled by a general policy board which consists of a representative from each participant. Each member's degree of control is limited to its representation on the board. The City of Pepper Pike contributed \$10,000 to VERCOG during 2024.

***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of the collection of income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. In 2024, the City paid RITA approximately \$89,104 for income tax collection services.



**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

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**Note 17 – Significant Commitments**

***Contractual Commitments***

As of December 31, 2024, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid to Date	Remaining Contract
L. Caticchio and Sons	\$511,499	\$116,677	\$394,822
Northeast Ohio Trenching	1,063,540	814,743	248,797
D.L. Smith Concrete	1,106,620	799,727	306,893
Ronyak Paving, Inc.	1,154,680	860,366	294,314
	<u>\$3,836,339</u>	<u>\$2,591,513</u>	<u>\$1,244,826</u>

Remaining commitments were encumbered at year-end. The amounts of \$329,212 and \$90,241 in contracts and retainage payable for governmental activities, respectively, have been capitalized.

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<i>Governmental Funds:</i>	
General	\$61,886
Fire Levy	153,641
Capital Improvement	1,279,155
Other Governmental Funds	<u>376,450</u>
Total	<u>\$1,871,132</u>

**Note 18 – Changes in Accounting Principles and Restatement of Fund Balances and Net Position**

***Change in Accounting Principles***

For 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and related guidance from GASB Implementation Guide No. 2023-1, *Implementation Guidance Update — 2023*. The City also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, *Implementation Guidance Update — 2021* and GASB Statement NO. 101, *Compensated Absences*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

**City of Pepper Pike, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2024*

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The City reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and GASB Implementation Guides 2021-1 and 2023-1 did not have any effect on beginning net position/fund balance.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The effects of implementing the GASB pronouncement is shown in the following table.

***Restatement of Fund Balances and Net Position***

For the City, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense on beginning net position as shown on the following table.

	<b>12/31/2023 As Previously Reported</b>	<b>Change in Accounting Principles GASB 101</b>	<b>12/31/2023 As Restated/ Adjusted</b>
<b>Government-Wide</b>			
Governmental Activities	<u>\$62,338,269</u>	<u>(\$548,947)</u>	<u>\$61,789,322</u>
<b>Governmental Funds</b>			
Major Funds:			
General	\$19,831,767	\$0	\$19,831,767
Fire Levy	2,201,243	0	2,201,243
Bond Retirement	777,230	0	777,230
Capital Improvement	4,297,536	0	4,297,536
Other Governmental Funds	<u>3,821,415</u>	<u>0</u>	<u>3,821,415</u>
<b>Total Governmental Funds</b>	<u>\$30,929,191</u>	<u>\$0</u>	<u>\$30,929,191</u>
<b>Fiduciary Fund</b>			
Custodial Fund	<u>\$4,141</u>	<u>\$0</u>	<u>\$4,141</u>

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## Required Supplementary Information

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**City of Pepper Pike, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Ten Years*

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.01191200%	0.01246900%	0.01360900%	0.01346000%
City's Proportionate Share of the Net Pension Liability	\$3,118,610	\$3,683,348	\$1,184,039	\$1,993,132
City's Covered Payroll	\$1,960,750	\$1,932,893	\$1,973,050	\$1,895,764
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.05%	190.56%	60.01%	105.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
0.01351300%	0.01423400%	0.01419400%	0.01394400%	0.01378300%	0.01416100%
\$2,670,936	\$3,898,404	\$2,226,763	\$3,166,446	\$2,387,390	\$1,707,974
\$1,903,814	\$1,920,029	\$1,875,715	\$1,802,617	\$1,715,425	\$1,736,950
140.29%	203.04%	118.72%	175.66%	139.17%	98.33%
82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

**City of Pepper Pike, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net OPEB Liability (Asset)*  
*Ohio Public Employees Retirement System - OPEB Plan*  
*Last Eight Years (1)*

	2024	2023	2022	2021
City's Proportion of the Net OPEB Liability/Asset	0.01110700%	0.01161300%	0.01271900%	0.01258900%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$100,243)	\$73,223	(\$398,379)	(\$224,284)
City's Covered Payroll	\$1,960,750	\$1,932,893	\$1,981,250	\$1,903,964
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.11%	3.79%	-20.11%	-11.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%	115.57%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017
0.01263900%	0.01331100%	0.01330000%	0.01310000%
\$1,745,775	\$1,735,441	\$1,444,282	\$1,323,144
\$1,912,014	\$1,928,229	\$1,883,915	\$1,810,817
91.31%	90.00%	76.66%	73.07%
47.80%	46.33%	54.14%	54.04%

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

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.09068250%	0.09152410%	0.09867570%	0.09491310%
City's Proportionate Share of the Net Pension Liability	\$8,761,180	\$8,693,901	\$6,164,687	\$6,470,312
City's Covered Payroll	\$2,660,669	\$2,543,228	\$2,581,835	\$2,399,900
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	329.28%	341.85%	238.77%	269.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%

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

See accompanying notes to the required supplementary information.



2020	2019	2018	2017	2016	2015
0.09082170%	0.08959200%	0.08776600%	0.08865100%	0.09550800%	0.08711460%
\$6,118,236	\$7,313,076	\$5,386,596	\$5,615,065	\$6,144,098	\$4,512,899
\$2,237,878	\$2,109,843	\$1,994,615	\$1,990,270	\$1,994,297	\$1,778,486
273.39%	346.62%	270.06%	282.13%	308.08%	253.75%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71%

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

	2024	2023	2022	2021
City's Proportion of the Net OPEB Liability	0.09068250%	0.09152410%	0.09867570%	0.09491310%
City's Proportionate Share of the Net OPEB Liability	\$662,100	\$651,625	\$1,081,571	\$1,005,619
City's Covered Payroll	\$2,660,669	\$2,543,228	\$2,581,835	\$2,399,900
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	24.88%	25.62%	41.89%	41.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.89%	52.59%	46.90%	45.40%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017
0.09082170%	0.08959200%	0.08776600%	0.08865100%
\$897,112	\$815,873	\$4,972,699	\$4,208,064
\$2,237,878	\$2,109,843	\$1,994,615	\$1,990,270
40.09%	38.67%	249.31%	211.43%
47.08%	46.57%	14.13%	15.96%

**City of Pepper Pike, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	2024	2023	2022	2021
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$288,973	\$274,505	\$270,605	\$276,227
Contributions in Relation to the Contractually Required Contribution	(288,973)	(274,505)	(270,605)	(276,227)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,064,093	\$1,960,750	\$1,932,893	\$1,973,050
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (1)</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$328
Contributions in Relation to the Contractually Required Contribution	0	0	0	(328)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$2,072,289	\$1,960,750	\$1,932,893	\$1,981,250
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.02%</u>

(1) Information prior to 2016 is not available for the OPEB plan.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
\$265,407	\$266,534	\$268,804	\$243,843	\$216,314	\$205,851
(265,407)	(266,534)	(268,804)	(243,843)	(216,314)	(205,851)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,895,764	\$1,903,814	\$1,920,029	\$1,875,715	\$1,802,617	\$1,715,425
14.00%	14.00%	14.00%	13.00%	12.00%	12.00%
\$328	\$328	\$328	\$19,085	\$36,380	
(328)	(328)	(328)	(19,085)	(36,380)	
\$0	\$0	\$0	\$0	\$0	
\$1,903,964	\$1,912,014	\$1,928,229	\$1,883,915	\$1,810,817	
0.02%	0.02%	0.02%	1.01%	2.01%	

**City of Pepper Pike, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	2024	2023	2022	2021
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$601,572	\$549,585	\$526,413	\$532,185
Contributions in Relation to the Contractually Required Contribution	<u>(601,572)</u>	<u>(549,585)</u>	<u>(526,413)</u>	<u>(532,185)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$2,916,793	\$2,660,669	\$2,543,228	\$2,581,835
Pension Contributions as a Percentage of Covered Payroll	<u>20.62%</u>	<u>20.66%</u>	<u>20.70%</u>	<u>20.61%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$8,237	\$19,650	\$12,716	\$12,909
Contributions in Relation to the Contractually Required Contribution	<u>(8,237)</u>	<u>(19,650)</u>	<u>(12,716)</u>	<u>(12,909)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.28%</u>	<u>0.74%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>20.90%</u>	<u>21.40%</u>	<u>21.20%</u>	<u>21.11%</u>

(1) The City's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
\$491,607	\$455,886	\$428,388	\$403,788	\$407,459	\$409,855
(491,607)	(455,886)	(428,388)	(403,788)	(407,459)	(409,855)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,399,900	\$2,237,878	\$2,109,843	\$1,994,615	\$1,990,270	\$1,994,297
20.48%	20.37%	20.30%	20.24%	20.47%	20.55%
\$11,999	\$11,189	\$10,550	\$9,973	\$9,952	\$9,972
(11,999)	(11,189)	(10,550)	(9,973)	(9,952)	(9,972)
\$0	\$0	\$0	\$0	\$0	\$0
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
20.98%	20.87%	20.80%	20.74%	20.97%	21.05%

**City of Pepper Pike, Ohio**  
*Notes to the Required Supplementary Information*  
For the Year Ended December 31, 2024

**Changes in Assumptions – OPERS Pension – Traditional Plan**

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented as follows:

	<u>2022</u>	<u>2019 through 2021</u>	<u>2018 and 2017</u>	<u>2016 and prior</u>
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, retirees are as follows:

2024	2.3 percent, simple through 2024 then 2.05 percent, simple
2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent 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 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 these tables.

Amounts reported for 2017 through 2021 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for



**City of Pepper Pike, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2024*

mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**Changes in Assumptions – OP&F Pension**

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented as follows:

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	See Below	See Below
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For 2017 and prior the investment rate of return was 8.25 percent. Beginning in 2018, the OP&F Board adopted a change in the investment rate of return, changing it from 8.25 percent for 2017 and prior to 8 percent. Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.

Beginning in 2023, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, 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 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

**City of Pepper Pike, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2024*

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Prior to 2023, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Prior to 2023, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

**Changes in Assumptions – OPERS OPEB**

Wage Inflation:

Beginning in 2022	2.75 percent
2021 and prior	3.25 percent

Projected Salary Increases (including wage inflation):

Beginning in 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent

Investment Return Assumption:

Beginning in 2019	6.00 percent
2018	6.50 percent

Municipal Bond Rate:

2024	3.77 percent
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent

Single Discount Rate:

2024	5.70 percent
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent

**City of Pepper Pike, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2024*

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Health Care Cost Trend Rate:

2024	5.50 percent, initial 3.5 percent, ultimate in 2038
2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

**Changes in Assumptions – OP&F OPEB**

Blended Discount Rate:

2024	4.07 percent
2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

In 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent beginning in 2022.

**Changes in Benefit Terms – OPERS OPEB**

On January 15, 2020, 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 2021.

**Changes in Benefit Terms – OP&F OPEB**

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

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

City of Pepper Pike  
Cuyahoga County  
28000 Shaker Blvd.  
Pepper Pike, Ohio 44124

To the Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pepper Pike, Cuyahoga 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 July 28, 2025, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

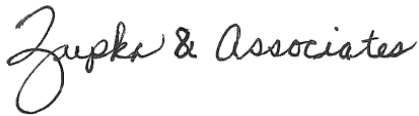
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

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

### **Purpose of This Report**

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

A handwritten signature in cursive script that reads "Zupka & Associates".

Zupka & Associates  
Certified Public Accountants

July 28, 2025

**CITY OF PEPPER PIKE  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

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The prior issued audit report, as of December 31, 2023, included a material weakness finding.

Finding Number	Finding Summary	Status	Additional Information
2023-001	Material Weakness - Special Assessment Bonds	Corrected	Corrected

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF PEPPER PIKE**

**CUYAHOGA COUNTY**

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

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



**Certified for Release 12/18/2025**

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](http://www.ohioauditor.gov)