

**CITY OF UNIVERSITY HEIGHTS
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 University Heights
2300 Warrensville Center Road
University Heights, OH 44118

We have reviewed the *Independent Auditor's Report* of the City of University Heights, 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 University Heights is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

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

November 13, 2025

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

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INDEPENDENT AUDITOR'S REPORT

City of University Heights
Cuyahoga County
2300 Warrensville Center Road
University Heights, OH 44118

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 University Heights, 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 University Heights as of December 31, 2024, and the respective changes in financial position and the budgetary comparisons for the General Fund, Sewer Maintenance A Fund, and Street Maintenance 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.

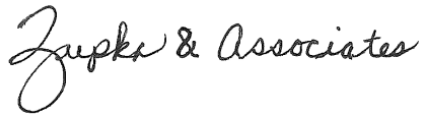
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 June 27, 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.

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

Zupka & Associates
Certified Public Accountants

June 27, 2025

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City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

The discussion and analysis of the City of University Heights's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal 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 financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2024 are as follows:

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the City at the close of the most recent fiscal year by \$7,189,343.
- The net position increased by \$762,035 from the prior year. Total assets and deferred outflows of resources increased by \$715,008 and liabilities and deferred inflows of resources decreased by \$47,027.
- The total fund balance for the General Fund was \$7,109,879, a decrease of \$781,401 from prior year.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of University Heights's basic financial statements. The City of University Heights'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 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, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increase or decrease in net position may serve as a useful indicator of whether the financial position of the City of University Heights is improving or deteriorating. However, in evaluating the overall position of the City, non-financial 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 University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Fund Financial Statements – Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of University Heights can be divided into two categories: governmental funds and fiduciary funds.

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.

For the City's governmental funds, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, and other non-major funds.

The basic governmental fund financial statements can be found starting on page 16 of this report.

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 are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 23 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 25 of this report.

Government-wide Financial Analysis – The City 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.

City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets and Deferred Outflows of Resources
- Liabilities and Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year

Table 1 provides a summary of the City's net position for 2024 as compared to 2023.

Table 1 - Net Position

	Governmental Activities	
	2024	2023
<u>Assets</u>		
Current and Other Assets	\$ 22,323,526	\$ 21,139,318
Net Pension Asset	48,394	35,134
Net OPEB Asset	150,135	-
Capital Assets, net	15,310,317	13,525,397
Total Assets	37,832,372	34,699,849
<u>Deferred Outflows of Resources</u>		
Pension	7,548,670	9,428,382
OPEB	1,020,685	1,558,488
Total Deferred Outflows of Resources	8,569,355	10,986,870
<u>Liabilities</u>		
Current and other liabilities	1,661,367	1,610,019
Long-term Liabilities:		
Due within one year	868,317	937,151
Due in more than one year:		
Net Pension Liability	25,853,062	26,868,804
Net OPEB Liability	1,620,886	1,706,613
Other Amounts	1,809,120	1,871,970
Total Liabilities	31,812,752	32,994,557
<u>Deferred Inflows of Resources</u>		
Property Taxes	4,676,536	3,148,523
Pension	1,216,090	1,346,165
OPEB	1,507,006	1,770,166
Total Deferred Inflows of Resources	7,399,632	6,264,854
<u>Net Position</u>		
Net Investment in Capital Assets	13,023,000	11,457,658
Restricted	6,620,631	5,554,059
Unrestricted	(12,454,288)	(10,584,409)
Total Net Position	\$ 7,189,343	\$ 6,427,308

City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

The net pension liability (NPL) is one of the larger liabilities reported by the City at December 31, 2024 and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The City previously adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension/OPEB, the net pension/OPEB liability to the reported net position and subtracting deferred outflows related to pension/OPEB and the net pension asset.

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

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

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

GASB notes that pension/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/OPEB. 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 liability. In Ohio, the employee shares the obligation of funding 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

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 liability. As explained above, changes in pension 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 is satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

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

A portion of the City's net position reflects its net investment in capital assets. Capital assets include construction in progress, land, buildings and improvements, vehicles, equipment, and infrastructure. The City uses those capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2024, was \$13,023,000. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

An additional portion of the City's net position, \$6,620,631 represents resources that have been restricted on how they may be used.

The changes in deferred outflows of Resources, deferred inflows of resources, net pension liability and net OPEB liability are due to the recording of GASB Statement Nos. 68 and 75 as previously mentioned.

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City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

In order to further understand what makes up the changes in net position for the current year, Table 2 provides further details regarding the results of activities for the current year.

Table 2 - Change in Net Position

	Governmental Activities	
	2024	2023
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 2,589,308	\$ 1,636,039
Operating Grants and Contributions	3,065,652	1,294,519
Capital Grants and Contributions	65,998	673,342
General Revenues:		
Property Taxes	3,558,602	3,524,472
Municipal Income Taxes	12,750,998	12,157,213
Payments in lieu of taxes	299,639	163,746
Other Taxes	141,852	106,692
Grants and Entitlements	1,005,733	1,030,075
Interest	555,253	533,912
Gain on Sale of Capital Assets	14,617	-
All Other Revenue	72,801	90,390
Total Revenues	24,120,453	21,210,400
<u>Program Expenses</u>		
Security of Persons and Property	13,032,323	12,475,809
Public Health and Welfare	100,877	91,832
Leisure Time Activities	501,154	470,886
Community Development	2,546,466	1,848,657
Basic Utility Services	2,399,918	2,598,026
Transportation	1,950,335	2,338,458
General Government	2,764,304	2,609,227
Interest and Fiscal Charges	63,041	59,915
Total Program Expenses	23,358,418	22,492,810
Increase in Net Position	762,035	(1,282,410)
Net Position, Beginning of Year	6,427,308	7,709,718
Net Position, End of Year	\$ 7,189,343	\$ 6,427,308

Total revenues increased by \$2,910,053 in 2024. This decrease was mainly due to increase in operating grants and contributions. The operating grants and contributions increased due increase in grants in the Street maintenance fund during 2024.

The City's collection agency is the Regional Income Tax Agency located in Brecksville, Ohio. During 2024, the income tax revenue was \$12,750,998. Another major revenue source is property taxes. The effective tax rate for 2024 was \$13.20 per \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property multiplied by the property effective tax rate levied by the City, Cuyahoga County, Cleveland Heights-University Heights City School District and Cleveland Heights-University Heights Public Library. During 2024, the property tax revenue was \$3,558,602.

City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Total program expenses increased by \$865,608 in 2024 when compared to 2023. This increase can mainly be attributed to the recording of GASB 68 and 75 as previously discussed.

Expenses are categorized by functions. The largest program expense (excluding OPEB adjustment as discussed above), security of persons and property, includes police, fire, police and fire communications, traffic control, animal control, and public safety, was over 55% of the total governmental expenses.

The City's Funds

Information about the City's funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. The City's major governmental funds are the General Fund, the Sewer Maintenance Fund and Street Maintenance Fund.

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

As of the end of the year, the City's governmental funds reported combined ending fund balance of \$11,372,348, an increase of \$25,595 in comparison with the prior year. Of this fund balance, \$6,632,203 of the ending combined fund balance for 2024 constitutes *assigned and unassigned fund balance* combined, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints.

The General Fund is the main operating fund of the City. At the end of 2024, total fund balance for the General Fund was \$7,109,879. The General Fund balance decreased by \$781,401 during the current fiscal year.

The Sewer Maintenance A Fund has a fund balance of \$2,144,633. The fund balance increased by \$826,557 during the current fiscal year.

The Street Maintenance Fund has a fund balance of deficit \$220,265. The fund balance increased by \$193,835 during the current fiscal year.

General Fund Budgeting Highlights

The most significant budgeted fund is the General Fund. Over the course of the year, the City Council revises the City's General Fund budget to prevent budget overruns.

The original and final appropriations, including other financing uses were \$20,014,353 and \$21,441,689 respectively. The actual charges to appropriations (expenditures) were \$838,349 below the final budgeted amount for the General Fund mostly due to the operating efficiencies.

City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the City of University Heights had \$15,310,317 invested in a broad range of capital assets, including land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure.

Table 3 shows fiscal 2024 balances of capital assets as compared to 2023:

Table 3 - Capital Assets at December 31 (Net of Depreciation)

	Governmental Activities	
	2024	2023
Land	\$ 1,908,909	\$ 854,049
Buildings and Improvements	1,715,840	1,582,891
Vehicles	3,660,899	3,756,838
Equipment	1,029,061	440,151
Infrastructures:		
Pavement	5,835,108	5,699,456
Traffic Lights	148,351	156,399
Storm Sewers	137,702	140,581
Sanitary Sewers	874,447	895,032
Total Capital Assets	\$ 15,310,317	\$ 13,525,397

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as police cars are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame.

More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

Debt

At December 31, 2024, the City of University Heights had \$1,883,504 in outstanding debt. Table 4 summarizes the outstanding debt obligations of the City.

Table 4 - Outstanding Debt at December 31

	Governmental Activities	
	2024	2023
General Obligation Bonds	\$ 660,000	\$ 785,000
OPWC Loans	214,702	247,404
Financed Purchases Payable	1,008,802	980,479
Total Outstanding Debt	\$ 1,883,504	\$ 2,012,883

City of University Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

The State limits the amount of general obligation debt that cities can issue to 5.50 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below the State imposed limit and the City is confident in a strong credit rating. No bond issues or other public borrowing is expected in 2024.

Other obligations include net pension/OPEB liability, and accrued compensated absences. More detailed information about the City's long-term liabilities is presented in Note 11 to the basic financial statements.

Current Related Financial Activities

Looking to the future, the City has formally established a Strategic Planning Committee, comprised of administration officials, City Councilpersons and members of the community. The Committee is charged with evaluating all aspects of major capital planning for the City. The City has established a new fund, the Facilities Capital Improvement Fund, to begin the process of identifying the needs for new buildings to house Police, Fire, Service and general administration. As the City comes out of the restrictions imposed by the pandemic, the Administration and Council look to new ways and methods to keep the community thriving.

Contacting the City of University Heights's Finance Department

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 all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Finance Director Katie Iaconis at 2300 Warrensville Center Road, University Heights, Ohio 44118.

City of University Heights, Ohio
Statement of Net Position
For the Year Ended December 31, 2024

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 10,122,054
Materials and Supplies Inventory	140,903
Accounts Receivable	176,019
Accrued Interest Receivable	29,400
Intergovernmental Receivable	793,328
Prepaid Items	43,723
Income Taxes Receivable	4,538,086
Property and Other Taxes Receivable	5,161,397
Special Assessments Receivable	1,318,616
Net Pension Asset	48,394
Net OPEB Asset	150,135
Nondepreciable Capital Assets	1,908,909
Depreciable Capital Assets	13,401,408
Total Assets	<u>37,832,372</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	7,548,670
OPEB	1,020,685
Total Deferred Outflows of Resources	<u>8,569,355</u>
LIABILITIES	
Accounts Payable	520,777
Contracts Payable	388,273
Accrued Wages and Benefits	285,713
Intergovernmental Payable	238,016
Matured Compensated Absences Payable	43,196
Accrued Interest Payable	14,606
Retainage Payable	39,027
Unearned Revenue	131,759
Long-term Liabilities:	
Due within one year	868,317
Due in more than one year:	
Net Pension Liability	25,853,062
Net OPEB Liability	1,620,886
Other Amounts	1,809,120
Total Liabilities	<u>31,812,752</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	4,676,536
Pension	1,216,090
OPEB	1,507,006
Total Deferred Inflows of Resources	<u>7,399,632</u>
NET POSITION	
Net Investment in Capital Assets	13,023,000
Restricted for:	
Debt Services	343,422
Capital Projects	1,594,646
Sewer Maintenance	2,909,754
Community Development	575,826
Street Maintenance and Lighting	547,105
Other Purposes	451,349
Pension	198,529
Unrestricted	(12,454,288)
Total Net Position	<u>\$ 7,189,343</u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2024

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Security of Persons and Property	\$ 13,032,323	\$ 424,776	\$ 281,998	\$ -	\$ (12,325,549)
Public Health and Welfare	100,877	-	-	-	(100,877)
Leisure Time Activities	501,154	137,885	-	-	(363,269)
Community Development	2,546,466	1,140,142	-	-	(1,406,324)
Basic Utility Services	2,399,918	583,122	852,230	65,998	(898,568)
Transportation	1,950,335	193,010	1,397,349	-	(359,976)
General Government	2,764,304	110,373	534,075	-	(2,119,856)
Interest and Fiscal Charges	63,041	-	-	-	(63,041)
Total Governmental Activities	<u>\$ 23,358,418</u>	<u>\$ 2,589,308</u>	<u>\$ 3,065,652</u>	<u>\$ 65,998</u>	<u>(17,637,460)</u>
General Revenues:					
Property Taxes levied for:					
General Purposes					3,105,626
Debt Service Purpose					185,263
Other Purposes					267,713
Payments in Lieu of taxes					299,639
Municipal Income Taxes levied for:					
General Purposes					12,032,178
Capital Outlay					718,820
Other Taxes					141,852
Grants & Entitlements not restricted to specific programs					1,005,733
Interest					555,253
Gain on Sale of Capital Assets					14,617
All Other Revenues					<u>72,801</u>
Total General Revenues					<u>18,399,495</u>
Change in Net Position					762,035
Net Position - Beginning of Year					<u>6,427,308</u>
Net Position - End of Year					<u><u>\$ 7,189,343</u></u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
Balance Sheet
Governmental Funds
December 31, 2024

	General Fund	Sewer Maintenance A	Street Maintenance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 4,691,391	\$ 2,208,602	\$ 662,445	\$ 2,559,616	\$ 10,122,054
Materials and Supplies Inventory	114,773	-	26,130	-	140,903
Accrued Interest Receivable	29,400	-	-	-	29,400
Accounts Receivable	120,417	-	-	55,602	176,019
Interfund Receivable	639,852	-	-	-	639,852
Intergovernmental Receivable	513,997	-	257,102	22,229	793,328
Prepaid Items	42,969	329	425	-	43,723
Income Taxes Receivable	4,311,182	-	-	226,904	4,538,086
Property and Other Taxes Receivable	4,292,773	-	-	868,624	5,161,397
Special Assessments Receivable	7,083	772,496	-	539,037	1,318,616
Total Assets	<u>\$ 14,763,837</u>	<u>\$ 2,981,427</u>	<u>\$ 946,102</u>	<u>\$ 4,272,012</u>	<u>\$ 22,963,378</u>
LIABILITIES					
Accounts Payable	\$ 325,916	\$ 52,652	\$ 402	\$ 141,807	\$ 520,777
Accrued Wages and Benefits	277,844	2,125	5,744	-	285,713
Contracts Payable	1,245	3,910	381,896	1,222	388,273
Intergovernmental Payable	227,502	1,297	3,486	5,731	238,016
Matured Compensated Absences Payable	43,196	-	-	-	43,196
Retainage Payable	7,600	4,314	27,113	-	39,027
Interfund Payable	-	-	580,000	59,852	639,852
Unearned Revenue	-	-	-	131,759	131,759
Total Liabilities	<u>883,303</u>	<u>64,298</u>	<u>998,641</u>	<u>340,371</u>	<u>2,286,613</u>
DEFERRED INFLOWS OF RESOURCES					
Property Taxes	3,867,474	-	-	809,062	4,676,536
Unavailable Revenue - Delinquent Property Taxes	402,942	-	-	59,562	462,504
Unavailable Revenue - Income Taxes	2,052,926	-	-	108,048	2,160,974
Unavailable Revenue - Special Assessments	7,083	772,496	-	539,037	1,318,616
Unavailable Revenue - Other	440,230	-	167,726	77,831	685,787
Total Deferred Inflows of Resources	<u>6,770,655</u>	<u>772,496</u>	<u>167,726</u>	<u>1,593,540</u>	<u>9,304,417</u>
FUND BALANCES					
Nonspendable	157,742	329	26,555	-	184,626
Restricted	-	2,144,304	-	2,411,215	4,555,519
Assigned	214,447	-	-	-	214,447
Unassigned (Deficit)	6,737,690	-	(246,820)	(73,114)	6,417,756
Total Fund Balances	<u>7,109,879</u>	<u>2,144,633</u>	<u>(220,265)</u>	<u>2,338,101</u>	<u>11,372,348</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,763,837</u>	<u>\$ 2,981,427</u>	<u>\$ 946,102</u>	<u>\$ 4,272,012</u>	<u>\$ 22,963,378</u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
December 31, 2024

Total Governmental Fund Balances \$ 11,372,348

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. 15,310,317

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent Property taxes	462,504	
Municipal Income taxes	2,160,974	
Special assessments	1,318,616	
Intergovernmental	574,432	
Charges for services	111,355	
Total		4,627,881

In the Statement of Activities, interest is accrued on outstanding debt, whereas in Governmental funds, an interest expenditure is reported when due. (14,606)

The net pension liability/asset and net OPEB liability/asset are not due and payable in the current period; and the net pension asset are not available for spending in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	7,548,670	
Deferred Inflows - Pension	(1,216,090)	
Net Pension Liability	(25,853,062)	
Net Pension Asset	48,394	
Net OPEB Asset	150,135	
Deferred Outflows - OPEB	1,020,685	
Deferred Inflows - OPEB	(1,507,006)	
Net OPEB Liability	(1,620,886)	
Total		(21,429,160)

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

General obligation bonds	(660,000)	
OPWC loans	(214,702)	
Financed Purchases Payable	(1,008,802)	
Compensated absences	(793,933)	
Total		(2,677,437)

Net Position of Governmental Activities \$ 7,189,343

See accompanying notes to the basic financial statements.

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

	General Fund	Sewer Maintenance A	Street Maintenance	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 3,101,596	\$ -	\$ -	\$ 473,196	\$ 3,574,792
Municipal Income Taxes	12,381,954	-	-	737,230	13,119,184
Payments in lieu of taxes	-	-	-	299,639	299,639
Other Taxes	141,852	-	-	-	141,852
Intergovernmental	1,542,080	919,469	1,330,397	373,872	4,165,818
Interest	555,253	-	-	-	555,253
Licenses and Permits	941,732	-	-	16,138	957,870
Fines and Forfeitures	98,247	-	-	-	98,247
Charges for Services	615,309	-	-	24,585	639,894
Special Assessments	26,344	490,832	-	372,506	889,682
All Other Revenues	47,331	-	-	25,470	72,801
Total Revenues	19,451,698	1,410,301	1,330,397	2,322,636	24,515,032
EXPENDITURES					
Security of Persons and Property	11,564,239	-	-	516,777	12,081,016
Public Health and Welfare	100,877	-	-	-	100,877
Leisure Time Activities	466,415	-	-	-	466,415
Community Development	2,046,619	41,090	-	450,389	2,538,098
Basic Utility Services	1,583,808	534,430	-	233,446	2,351,684
Transportation	678,886	-	680,994	56,336	1,416,216
General Government	2,700,311	-	-	-	2,700,311
Capital Outlay	8,845	8,224	455,568	2,229,215	2,701,852
Debt Service:					
Principal Retirement	-	-	-	424,379	424,379
Interest and Fiscal Charges	-	-	-	51,490	51,490
Total Expenditures	19,150,000	583,744	1,136,562	3,962,032	24,832,338
Excess of Revenues Over (Under) Expenditures	301,698	826,557	193,835	(1,639,396)	(317,306)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	47,901	-	-	-	47,901
Inception of Financed Purchases	-	-	-	295,000	295,000
Transfer In	-	-	-	1,131,000	1,131,000
Transfer Out	(1,131,000)	-	-	-	(1,131,000)
Total Other Financing Sources (Uses)	(1,083,099)	-	-	1,426,000	342,901
Net Change in Fund Balances	(781,401)	826,557	193,835	(213,396)	25,595
Fund Balances - Beginning of Year	7,891,280	1,318,076	-	2,137,397	11,346,753
Change with financial reporting entity (Nonmajor to Major Fund)	-	-	(414,100)	414,100	-
Fund Balances (Deficits)- Beginning of Year, as adjusted	7,891,280	1,318,076	(414,100)	2,551,497	11,346,753
Fund Balances - End of Year	\$ 7,109,879	\$ 2,144,633	\$ (220,265)	\$ 2,338,101	\$ 11,372,348

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities*
For the Year Ended December 31, 2024

Net Change in Fund Balances - Total Governmental Funds	\$	25,595
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*Amounts reported for Governmental Activities in the Statement of Activities
are different because:*

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

Capital outlay	\$ 2,791,055	
Depreciation	<u>(972,852)</u>	
Total		1,818,203

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.	(33,283)
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Revenues in the Statement of Activities that do not provide current financial resources are not unavailable revenues in the funds.

Delinquent Property taxes	(16,190)	
Municipal Income taxes	(368,186)	
Special assessments	42,751	
Intergovernmental	(2,194)	
Charges for services	<u>(65,378)</u>	
Total		(409,197)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of a capital lease.	(295,000)
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Repayment of various debt principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	424,379
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows	
Pension	1,888,361
OPEB	39,282

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net pension asset are reported as pension/OPEB expense in the statement of activities.	
Pension	(2,608,996)
OPEB	(78,063)

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	2,305	
Accrued interest	<u>(11,551)</u>	
Total		<u>(9,246)</u>

Change in Net Position of Governmental Activities	\$	<u>762,035</u>
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See accompanying notes to the basic financial statements.

City of University Heights, Ohio
*Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund
For the Year Ended December 31, 2024*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES:				
Property Taxes	\$ 2,992,455	\$ 3,101,595	\$ 3,101,596	\$ 1
Municipal Income Taxes	11,493,522	11,860,374	11,876,230	15,856
Other Taxes	121,788	125,675	125,843	168
Licenses and Permits	914,937	944,140	945,402	1,262
Fines and Forfeitures	95,942	99,005	99,137	132
Special Assessments	25,495	26,309	26,344	35
Charges for Services	579,471	597,967	598,766	799
Intergovernmental	1,484,763	1,532,154	1,534,202	2,048
Interest	413,230	426,420	426,990	570
All Other Revenues	45,805	47,266	47,331	65
Total Revenues	<u>18,167,408</u>	<u>18,760,905</u>	<u>18,781,841</u>	<u>20,936</u>
EXPENDITURES:				
Current:				
General Government	2,986,890	3,051,590	2,828,105	223,485
Security of Persons and Property	11,837,930	11,900,655	11,586,402	314,253
Basic Utility Services	1,471,029	1,619,529	1,582,821	36,708
Transportation	693,451	713,451	665,327	48,124
Public Health and Welfare	100,877	100,877	100,877	-
Community Development	1,286,471	2,340,071	2,172,162	167,909
Leisure Time Activities	453,705	531,516	477,646	53,870
Total Expenditures	<u>18,830,353</u>	<u>20,257,689</u>	<u>19,413,340</u>	<u>844,349</u>
Excess of Revenues over Expenditures	<u>(662,945)</u>	<u>(1,496,784)</u>	<u>(631,499)</u>	<u>865,285</u>
OTHER FINANCING SOURCES (USES):				
Sale of Fixed Assets	46,357	47,837	47,901	64
Transfers Out	(1,184,000)	(1,184,000)	(1,184,000)	-
Advances In	35,000	35,000	44,000	9,000
Advances Out	-	-	(6,000)	(6,000)
Total Other Financing Sources and Uses	<u>(1,102,643)</u>	<u>(1,101,163)</u>	<u>(1,098,099)</u>	<u>3,064</u>
Net Change in Fund Balance	<u>(1,765,588)</u>	<u>(2,597,947)</u>	<u>(1,729,598)</u>	<u>868,349</u>
Fund Balances, Beginning of the Year	5,555,874	5,555,874	5,555,874	-
Prior Year Encumbrances Appropriated	414,126	414,126	414,126	-
Fund Balances, Ending	<u>\$ 4,204,412</u>	<u>\$ 3,372,053</u>	<u>\$ 4,240,402</u>	<u>\$ 868,349</u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
*Statement of Revenues, Expenditures, and Changes in Fund Balance –
 Budget (Non-GAAP Budgetary Basis) and Actual – Sewer Maintenance A Fund
 For the Year Ended December 31, 2024*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES:				
Special Assessments	\$ 281,907	\$ 490,832	\$ 490,832	\$ -
Intergovernmental	528,093	919,469	919,469	-
Total Revenues	<u>810,000</u>	<u>1,410,301</u>	<u>1,410,301</u>	<u>-</u>
EXPENDITURES:				
Current:				
Community Development	15,000	15,000	41,090	(26,090)
Basic Utility Services	1,084,682	1,124,682	944,859	179,823
Total Expenditures	<u>1,099,682</u>	<u>1,139,682</u>	<u>985,949</u>	<u>153,733</u>
Net Change in Fund Balance	(289,682)	270,619	424,352	153,733
Fund Balances, Beginning of Year	1,165,204	1,165,204	1,165,204	-
Prior Year Encumbrances Appropriated	325,787	325,787	325,787	-
Fund Balances, End of Year	<u>\$ 1,201,309</u>	<u>\$ 1,761,610</u>	<u>\$ 1,915,343</u>	<u>\$ 153,733</u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
*Statement of Revenues, Expenditures, and Changes in Fund Balance –
 Budget (Non-GAAP Budgetary Basis) and Actual – Street Maintenance Fund
 For the Year Ended December 31, 2024*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 1,393,000	\$ 1,331,523	\$ 1,331,523	\$ -
Total Revenues	<u>1,393,000</u>	<u>1,331,523</u>	<u>1,331,523</u>	<u>-</u>
EXPENDITURES:				
Current:				
Transportation	1,198,876	1,293,376	1,249,416	43,960
Total Expenditures	<u>1,198,876</u>	<u>1,293,376</u>	<u>1,249,416</u>	<u>43,960</u>
Net Change in Fund Balance	194,124	38,147	82,107	43,960
Fund Balances, Beginning	42,087	42,087	42,087	-
Prior Year Encumbrances Appropriated	<u>48,429</u>	<u>48,429</u>	<u>48,429</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 284,640</u>	<u>\$ 128,663</u>	<u>\$ 172,623</u>	<u>\$ 43,960</u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
Statement of Fiduciary Net Position
Custodial Fund
December 31, 2024

	<u>Custodial</u>
ASSETS	
Cash and Cash Equivalents with Fiscal Agent	\$ 81,090
Total Assets	<u>81,090</u>
LIABILITIES	
Accounts Payable	1,102
Total Liabilities	<u>1,102</u>
NET POSITION	
Restricted For:	
Individuals, Organizations, and Other Governments	79,988
Total Net Position	<u><u>\$ 79,988</u></u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2024

	<u>Custodial</u>
ADDITIONS	
Amounts Received as Fiscal Agent	\$ 25,000
Total Additions	<u>25,000</u>
DEDUCTIONS	
Distributions as Fiscal Agent	17,331
Total Deductions	<u>17,331</u>
Net Increase in Fiduciary Net Position	7,669
Net Position - Beginning of Year	72,319
Net Position - End of Year	<u><u>\$ 79,988</u></u>

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2024

Note 1: The Reporting Entity

The City of University Heights, Ohio (the “City”) is a municipal corporation governed by an elected mayor and council.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of University Heights, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection, and parks and recreation.

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. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City does not have any component units.

The City is associated with three organizations which are defined as a shared risk pool and two jointly governed organization. The Northern Ohio Management Association is a shared risk pool, and the Northeast Ohio Public Energy Council and Chagrin Valley Dispatch Council are jointly governed organizations. The shared risk pool is presented in Note 16 and the jointly governed organization is presented in Note 19 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.

A. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal activity is eliminated to avoid doubling up revenues and expenses.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

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

B. Fund Accounting

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

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of 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 compared to liabilities and deferred inflows of resources is reported as fund balance. The following is the City's major governmental fund:

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

Sewer Maintenance A – The Sewer Maintenance A Fund accounts for all maintenance of the sewers.

Street Maintenance – The Street Maintenance Fund accounts for all maintenance of the streets.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary fund is a custodial fund. The custodial fund is used to account for fiscal agent activity.

C. Measurement Focus

Government-Wide Financial Statements

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows along with all liabilities and deferred inflows associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities. The City has no proprietary funds.

Fiduciary funds are reported using a flow of economic resources measurement focus.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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. The available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 position 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 other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10, respectively.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2024, but which were levied to finance year 2025 operations and project revenue represents imposed nonexchange revenues. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, intergovernmental, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 9 and 10).

Expenses/Expenditures

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

E. Budgetary Process

Annual budgets are adopted on a cash basis for all governmental funds. All annual appropriations lapse at fiscal year end.

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

The appropriated budget is prepared at the fund, department, personal services and other expenses level for all funds, which is the legal level of control. Transfers of appropriations between departments require the approval of the Council. Expenditures may not exceed appropriations at the legal level of control.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

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

During 2024, the investment portfolio was limited to a money market mutual fund, negotiable certificates of deposits, and U.S. agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2024 amounted to \$555,253, which includes \$297,903 assigned from other funds. GASB Statement No. 31 requires the change in fair value to be reported as revenue.

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.

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased.

H. Prepaid Items

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

I. Capital Assets

General capital assets are those long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of pavement, storm sewers, sanitary sewers and traffic lights. Improvements that add to the value of the asset or materially extend the life of an asset 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.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	15-50 years
Equipment	5-10 years
Vehicles	5-10 years
Infrastructure	20-50 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received and from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the Statement of Net Position.

K. 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, 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 year. Bonds, financed purchases payable, and long-term loans are recognized as a liability on the fund financial statements when due.

L. Compensated Absences

The City accrues vacation and sick leave benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The City accrued these benefits for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future. These benefits are measured using the pay rates in effect at December 31, 2024.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as properly acquired for resale, unless the use of the proceeds from the collection of those receivables are from the sale of those properties is restricted, committed, or assigned.

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.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City’s Council. Those committed amounts cannot be used for any other purpose unless the City’s Council removes or changes the specified use by taking the same type of action (ordinance) 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 is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance. The Finance Director is the City’s delegated official.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

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

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

O. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported 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.

The government-wide statement of net position reports \$7,189,343 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2024.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 2: Summary of Significant Accounting Policies (continued)

R. Estimates

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

Note 3: Changes in Accounting Principles

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

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 100, Accounting Change and Error Corrections – an Amendment of GASB Statement No. 62. 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. The implementation of the GASB pronouncement did not have any impact on beginning net position or fund balance. For fiscal year 2024, the Street Maintenance Fund presentation was adjusted from nonmajor to major due to the fund meeting the quantitative threshold for a major fund. This change is separately displayed in the financial statements.

GASB Statement No. 101, Compensated Absences The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. For the City, GASB 101 did not have any impact on the beginning net position.

	Funds	
	Street Maintenance	Nonmajor Governmental
December 31, 2023, as previously reported	\$ -	\$ 2,137,397
Change from nonmajor to major	(414,100)	414,100
December 31, 2023, as restated	<u>\$ (414,100)</u>	<u>\$ 2,551,497</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 4: Fund Balances

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

	General	Sewer Maintenance A	Street Maintenance	Other Governmental Funds	Total
Components of Fund Balance:					
<i>Nonspendable</i>					
Prepaid Items	\$ 42,969	\$ 329	\$ 425	\$ -	\$ 43,723
Materials and Supplies Inventory	114,773	-	26,130	-	140,903
<i>Total Nonspendable</i>	<u>157,742</u>	<u>329</u>	<u>26,555</u>	<u>-</u>	<u>184,626</u>
<i>Restricted</i>					
Law Enforcement and Fire Safety	-	-	-	51,782	51,782
Sewers	-	2,144,304	-	-	2,144,304
Tree Improvement	-	-	-	386,544	386,544
Community Development	-	-	-	179,667	179,667
General Bond Retirement	-	-	-	315,778	315,778
Capital Improvements	-	-	-	1,365,962	1,365,962
Other	-	-	-	111,482	111,482
<i>Total Restricted</i>	<u>-</u>	<u>2,144,304</u>	<u>-</u>	<u>2,411,215</u>	<u>4,555,519</u>
<i>Assigned</i>					
Law Enforcement and Fire Safety	113,198	-	-	-	113,198
Leisure Time Activities	6,026	-	-	-	6,026
Community Development	31,579	-	-	-	31,579
Basic Utility Services	1,224	-	-	-	1,224
General Government	62,216	-	-	-	62,216
Transportation	204	-	-	-	204
<i>Total Assigned</i>	<u>214,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,447</u>
<i>Unassigned</i>	6,737,690	-	(246,820)	(73,114)	6,417,756
Total Fund Balance	<u><u>\$ 7,109,879</u></u>	<u><u>\$ 2,144,633</u></u>	<u><u>\$ (220,265)</u></u>	<u><u>\$ 2,338,101</u></u>	<u><u>\$ 11,372,348</u></u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 5: Budgetary Basis of Accounting

While 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 and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual 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 identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Advances in are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (d) The Unclaimed Monies Fund is included in the General Fund (GAAP basis), but has a separate legally adopted budget (budget basis).
- (e) Encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

	General	Sewer Maintenance A	Street Maintenance
GAAP Basis	\$ (781,401)	\$ 826,557	\$ 193,835
Increase (Decrease) Due to:			
Revenue Accruals	(641,857)	-	1,126
Expenditure Accruals	(38,505)	(108,946)	376,968
Net Impact of Encumbrances	(277,835)	(293,259)	(489,822)
Separate legally adopted budget	(28,000)	-	-
Budgetary Basis	<u>\$ (1,729,598)</u>	<u>\$ 424,352</u>	<u>\$ 82,107</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 6: Deposits and Investments

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

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

Inactive deposits are monies 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 6: Deposits and Investments (continued)

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

Cash on Hand

At year-end, the City had \$250 in undeposited cash on hand, which is included on the balance sheet of the City as part of equity in pooled cash and cash equivalents.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by establishing and pledging to the Treasurer of State a single pool of collateral for the benefit of every public depositor. The total market value of the securities pledged must meet either of the following:

One hundred two percent of the total amount of all uninsured public deposits; or

An amount determined by rules adopted by the treasurer of state that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository.

At year-end, the carrying amount of the City's deposits was \$1,027,322, and the bank balance was \$1,240,029. Of the bank balance, \$391,695 was covered by federal depository insurance. The remaining uninsured balance was collateralized through the Ohio Pooled Collateral System.

Investments

Fair value is determined by quoted market prices and acceptable other pricing methodologies. As of December 31, 2024, the city had the following investments:

	Measurement Value	Credit Rating	Investment Maturities (in Years)		
			<1	1-3	3-5
<u>Investment Type:</u>					
Money Market Mutual Fund	\$ 2,735,187	AAAm	\$ 2,735,187	\$ -	\$ -
Negotiable CD's	3,145,022	N/A	1,682,029	1,212,931	250,062
U.S. Government Bonds	3,295,363	Aaa/AA+	1,042,089	1,954,765	298,509
Total Investments	<u>\$ 9,175,572</u>		<u>\$ 5,459,305</u>	<u>\$ 3,167,696</u>	<u>\$ 548,571</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 6: Deposits and Investments (continued)

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 City has the following recurring fair value measurements as of December 31, 2024.

- Negotiable certificates of deposit and U.S. agencies are measured based on Level 2 inputs, using a matrix or model pricing method.
- Money market is based on Level 1 inputs and is valued at amortized costs, which approximates fair value.
- U.S. Agencies

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

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed. The entire balance of the negotiable certificates of deposit is covered by FDIC insurance.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. The City's investment in the U.S. agencies carry a rating of AA+ by Standard & Poor's. The negotiable certificate of deposits and money market are unrated.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy places no limit on the amount the City may invest in one issuer. The following is the City's allocation as of December 31, 2024:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Money Market Mutual Fund	29.81%
Negotiable CD's	34.28%
U.S. Government Bonds	35.91%

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 7: Receivables

A. Property Taxes

Property taxes include amounts levied against all real property and public utility tangible personal property located in the City. Property tax revenue received during 2024 for real and public utility property taxes represents collections for 2023 taxes. Property tax payments received during 2024 for tangible personal property, except for public utility property, are for prior year unpaid tangible personal property taxes.

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the Cuyahoga County Auditor at 35 percent of the appraised market value, and reappraisal of all property is required every six years with a triennial update. The last appraisal was completed in 2018 and an update completed in 2021.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due mid-January with the remainder payable by mid-July. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

Tangible personal property used in business (except for public utilities) was phased out – the assessment percentage for all property including inventory for 2024 is zero. Amounts for prior year unpaid tangible personal property taxes may still be collected. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

While property tax rates are levied by the City, the Cuyahoga County Fiscal Officer is statutorily responsible for administering and collecting real property taxes on the behalf of all taxing authorities in the county, including the City.

The tax rate levied to finance the City's services for the year ended December 31, 2024 was \$13.20. The assessed values of real and public utility property upon which 2024 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>
Residential/ agricultural	\$ 261,622,990
Commercial/ industrial	33,304,530
Public Utility	6,804,300
	<u>\$ 301,731,820</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 7: Receivables (continued)

B. Income Taxes

The City levies municipal income tax of 2.5% on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City does allow a 1.0% credit for income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The Regional Income Tax Agency collects municipal income taxes for the City. Income tax revenue is credited to the General Fund (95%) and the Capital Improvements Fund (5%).

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 287,352
Homestead and Rollback	222,288
Gasoline and Auto Registration tax	251,589
Permissive tax	5,513
Miscellaneous	26,586
Total	<u>\$ 793,328</u>

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City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 8: Capital Assets

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

	Balance 12/31/2023	Additions	Deletions	Balance 12/31/2024
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 854,049	\$ 1,054,860	\$ -	\$ 1,908,909
Total Capital Assets Not Being Depreciated	<u>854,049</u>	<u>1,054,860</u>	<u>-</u>	<u>1,908,909</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	3,338,326	213,141	-	3,551,467
Vehicles	6,149,159	302,246	(243,365)	6,208,040
Equipment	1,575,628	659,784	-	2,235,412
Subtotal	<u>11,063,113</u>	<u>1,175,171</u>	<u>(243,365)</u>	<u>11,994,919</u>
Infrastructure:				
Pavement	12,574,736	561,024	-	13,135,760
Traffic Lights	179,886	-	-	179,886
Storm Sewers	230,271	-	-	230,271
Sanitary Sewers	1,235,057	-	-	1,235,057
Total Infrastructure	<u>14,219,950</u>	<u>561,024</u>	<u>-</u>	<u>14,780,974</u>
Total Capital Assets Being Depreciated	<u>25,283,063</u>	<u>1,736,195</u>	<u>(243,365)</u>	<u>26,775,893</u>
Less: Accumulated Depreciation:				
Building and Improvements	(1,755,435)	(80,192)		(1,835,627)
Vehicles	(2,392,321)	(364,902)	210,082	(2,547,141)
Equipment	(1,135,477)	(70,874)		(1,206,351)
Subtotal	<u>(5,283,233)</u>	<u>(515,968)</u>	<u>210,082</u>	<u>(5,589,119)</u>
Infrastructure				
Pavement	(6,875,280)	(425,372)	-	(7,300,652)
Traffic Lights	(23,487)	(8,048)	-	(31,535)
Storm Sewers	(89,690)	(2,879)	-	(92,569)
Sanitary Sewers	(340,025)	(20,585)	-	(360,610)
Subtotal	<u>(7,328,482)</u>	<u>(456,884)</u>	<u>-</u>	<u>(7,785,366)</u>
Total Accumulated Depreciation	<u>(12,611,715)</u>	<u>(972,852) *</u>	<u>210,082</u>	<u>(13,374,485)</u>
Total Capital Assets Being Depreciated, Net	<u>12,671,348</u>	<u>763,343</u>	<u>(33,283)</u>	<u>13,401,408</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,525,397</u>	<u>\$ 1,818,203</u>	<u>\$ (33,283)</u>	<u>\$ 15,310,317</u>

*Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 253,919
Leisure Time Activities	38,493
Community Environment	13,445
Basic Utility Services	55,146
Transportation	543,502
General Government	68,347
Total Depreciation Expense	<u>\$ 972,852</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans

A. Net Pension Liability/Asset

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

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

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

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

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

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

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. Effective January 1, 2022, the Combined Plan is no longer available for member selection. In October 2023, the legislature approved House Bill (HB) 33, which allows for the consideration of the Combined Plan with the Traditional Pension Plan with the timing of the consolidation at the discretion of OPERS. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

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

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

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

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

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

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

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

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

For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

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

	State and Local		
	Traditional Pension Plan	Combined Plan	Member- Directed Plan
2023-2024 Statutory Maximum Contribution Rates			
Employer	14.0 %	14.0 %	14.0 %
Employee *	10.0 %	10.0 %	10.0 %
2023-2024 Actual Contribution Rates			
Employer:			
Pension	14.0 %	12.0 %	10.0 %
Post-Employment Health Care Benefits	0.0 %	2.0 %	4.0 %
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>	<u>14.0 %</u>
Employee	<u>10.0 %</u>	<u>10.0 %</u>	<u>10.0 %</u>

* Member contributions within the Combined Plan are not used to fund the defined benefit retirement allowance.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

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

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

The City's contractually required contributions was \$446,713 for fiscal year ending December 31, 2024. Of this amount, \$46,958 is reported as an intergovernmental payable.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. 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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members' base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent. The COLA amount for a member with at least 15 years of service credit as of July 1, 2013 is equal to 3 percent of their base pension or disability benefit.

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,441,648 for 2024. Of this amount, \$163,870 is reported as an intergovernmental payable.

D. Pension Liabilities, Pension Assets, Pension Expense, 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/asset 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.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

D. Pension Liabilities, Pension Assets, Pension Expense, and Deferred Inflows of Resources Related to Pensions (continued)

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.019080%	0.014907%	0.2235235%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.016825%	0.015744%	0.2219994%	
Change in Proportionate Share	-0.002255%	0.000837%	-0.0015241%	
Proportionate Share of the Net Pension Liability	\$ 4,404,854	\$ -	\$ 21,448,208	\$ 25,853,062
Proportionate Share of the Net Pension (Asset)	\$ -	\$ (48,394)	\$ -	\$ (48,394)
Pension Expense	\$ 409,762	\$ 2,037	\$ 2,197,199	\$ 2,608,998

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 889,088	\$ 7,871	\$ 2,430,530	\$ 3,327,489
Differences between expected and actual experience	71,993	1,962	688,549	762,504
Changes of assumptions	-	1,794	1,355,504	1,357,298
Changes in proportion and differences between City contributions and proportionate share of contributions	48,457	16,784	147,777	213,018
City contributions subsequent to the measurement date	436,586	10,127	1,441,648	1,888,361
Total Deferred Outflows of Resources	<u>\$ 1,446,124</u>	<u>\$ 38,538</u>	<u>\$ 6,064,008</u>	<u>\$ 7,548,670</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ -	\$ 4,785	\$ 239,877	\$ 244,662
Changes of assumptions	-	-	325,716	325,716
Changes in proportion and differences between City contributions and proportionate share of contributions	262,460	15,821	367,431	645,712
Total Deferred Inflows of Resources	<u>\$ 262,460</u>	<u>\$ 20,606</u>	<u>\$ 933,024</u>	<u>\$ 1,216,090</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

D. Pension Liabilities, Pension Assets, Pension Expense, and Deferred Inflows of Resources Related to Pensions (continued)

\$1,888,361 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in the year ending December 31, 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 Pension Plan	OPERS Combined Pension Plan	OP&F	Total
Year Ending December 31:				
2025	\$ 87,800	\$ 1,213	\$ 970,896	\$ 1,059,909
2026	218,514	2,345	1,056,097	1,276,956
2027	567,366	4,608	1,669,971	2,241,945
2028	(126,602)	(744)	(89,166)	(216,512)
2029	-	1,356	79,161	80,517
Thereafter	-	(973)	2,377	1,404
Total	<u>\$ 747,078</u>	<u>\$ 7,805</u>	<u>\$ 3,689,336</u>	<u>\$ 4,444,219</u>

E. Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented on the next page:

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

	<u>Traditional Pension Plan</u>	<u>Combined Plan</u>
Wage Inflation		
Current Measurement Date:	2.75 percent	2.75 percent
Prior Measurement Date:	2.75 percent	2.75 percent
Future Salary Increases, including inflation		
Current Measurement Date:	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
Prior Measurement Date:	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre 1/7/2013 retirees:	3 percent, simple	3 percent, simple
Post 1/7/2013 retirees:		
Current Measurement Date:	2.3 percent simple through 2024, then 2.05 percent simple	2.3 percent simple through 2024, then 2.05 percent simple
Prior Measurement Date:	3 percent, simple through 2023, then 2.05 percent simple	3 percent, simple through 2023, then 2.05 percent simple
Investment Rate of Return		
Current Measurement Date:	6.9 percent	6.9 percent
Prior Measurement Date:	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.2 percent for 2023.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

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

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	44.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other investments	5.00	3.46
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/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 or one-percentage-point higher than the current rate:

City's proportionate share of the net pension liability/(asset)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Traditional Pension Plan	\$ 6,934,424	\$ 4,404,854	\$ 2,300,987
Combined Plan	\$ (29,284)	\$ (48,394)	\$ (63,448)

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F

OP&F's total pension 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 pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations.

Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2023, are presented below:

Valuation Date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple

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

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

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

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	18.60	4.10
International Equity	12.40	4.90
Core Fixed Income *	25.00	2.40
U.S. Inflation Linked Bonds *	15.00	2.10
High Yield Fixed Income	7.00	4.10
Private Real Estate	12.00	5.40
Private Markets	10.00	7.30
Midstream Energy Infrastructure	5.00	5.80
Private Credit	5.00	6.80
Real Assets	8.00	6.00
Gold	5.00	3.50
Commodities	2.00	3.50
Total	<u>125.00 %</u>	

Note: Assumptions are geometric

* levered 2.5x

** Geometric mean, net of expected inflation

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

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

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 9: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 28,409,749	\$ 21,448,208	\$ 15,659,010

Note 10: Postemployment Benefits

A. Net OPEB Liability

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

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

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

GASB 75 assumes that any liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (Continued)

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, the 115 Health Care Trust, which was established in 2014 to fund health care for the Traditional Pension, Combined, and Member-Directed plans. With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

Retirees and eligible dependents enrolled in Medicare Parts A and B, and non-Medicare retirees beginning in 2022, are able to participate in the OPERS Connector in lieu of comprehensive health care coverage. The Connector, a vendor selected by OPERS, assist eligible retirees, spouses, and dependents in the evaluation, selection and purchase of a health care plan on the open market. Eligible retirees may receive a monthly allowance in their health reimbursement arrangement (HRA) account that can be used to reimburse eligible health care expenses.

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

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (Continued)

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

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

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

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). Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of covered payroll. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The employer contribution as a percent of covered payroll deposited for the Combined Plan and Member-Directed Plan health care programs in 2024 was 2.0 percent and 4.0 percent, respectively.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (Continued)

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$5,612 for 2024.

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

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

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (Continued)

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

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

The City's contractually required contribution to OP&F was \$33,670 for 2024. Of this amount, \$3,837 is reported as intergovernmental payable at December 31, 2024.

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

The net OPEB 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 and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability/Asset			
Prior Measurement Date	0.018269%	0.2235230%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	0.016635%	0.2219994%	
Change in Proportionate Share	<u>-0.001634%</u>	<u>-0.0015236%</u>	
Proportionate Share of the Net OPEB			
(Asset)	\$ (150,135)	\$ -	\$ (150,135)
Proportionate Share of the Net OPEB			
Liability	\$ -	\$ 1,620,886	\$ 1,620,886
OPEB Expense	\$ (11,993)	\$ 90,056	\$ 78,063

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (continued)

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

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 77,943	\$ 77,943
Changes of assumptions	38,652	557,763	596,415
Net difference between projected and actual earnings on pension plan investments	90,163	119,691	209,854
Changes in proportion and differences between City contributions and proportionate share of contributions	10,011	87,180	97,191
City contributions subsequent to the measurement date	5,612	33,670	39,282
	<u>\$ 144,438</u>	<u>\$ 876,247</u>	<u>\$ 1,020,685</u>
Total Deferred Outflows of Resources	<u>\$ 144,438</u>	<u>\$ 876,247</u>	<u>\$ 1,020,685</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 21,369	\$ 297,870	\$ 319,239
Changes of assumptions	64,539	1,043,811	1,108,350
Changes in proportion and differences between City contributions and proportionate share of contributions	392	79,025	79,417
	<u>\$ 86,300</u>	<u>\$ 1,420,706</u>	<u>\$ 1,507,006</u>
Total Deferred Inflows of Resources	<u>\$ 86,300</u>	<u>\$ 1,420,706</u>	<u>\$ 1,507,006</u>

The \$39,282 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 increase in the net OPEB asset in 2025.

Year Ending December 31:	OPERS	OP&F	Total
2025	\$ 2,231	\$ 6,379	\$ 8,610
2026	10,555	(68,761)	(58,206)
2027	70,187	(45,488)	24,699
2028	(30,447)	(145,443)	(175,890)
2029	-	(149,574)	(149,574)
Thereafter	-	(175,242)	(175,242)
Total	<u>\$ 52,526</u>	<u>\$ (578,129)</u>	<u>\$ (525,603)</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (continued)

E. Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	2.75 percent
Projected Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent, including wage inflation
Prior Measurement Date:	2.75 to 10.75 percent, including wage inflation
Single Discount Rate:	
Current Measurement Date:	5.70 percent
Prior Measurement Date:	5.22 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current Measurement Date:	3.77 percent
Prior Measurement Date:	4.05 percent
Health Care Cost Trend Rate	
Current Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2038
Prior Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2036

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

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (continued)

E. Actuarial Assumptions – OPERS (continued)

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.0 percent for 2023.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the Board-approved asset allocation policy for 2023 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	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 OPEB liability on the measurement date of December 31, 2023. A single discount rate of 5.22 percent was used to measure the OPEB asset on the measurement date of December 31, 2022. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (continued)

E. Actuarial Assumptions – OPERS (continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2070. As a result, the 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.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 5.70 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (4.70 percent) or one-percentage-point higher 6.70 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)	\$ 82,510	\$ (150,135)	\$ (342,847)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care

Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	\$ (156,369)	\$ (150,135)	\$ (143,061)

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (continued)

F. 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 plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
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	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.07 percent
Prior measurement date	4.27 percent
Cost of Living Adjustments	2.2 percent simple

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

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (continued)

F. Actuarial Assumptions – OP&F (continued)

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	18.60	4.10
Non-US Equity	12.40	4.90
Core Fixed Income *	25.00	2.40
U.S. Inflation Linked Bonds *	15.00	2.10
High Yield Fixed Income	7.00	4.10
Private Real Estate	12.00	5.40
Private Markets	10.00	7.30
Midstream Energy Infrastructure	5.00	5.80
Private Credit	5.00	6.80
Real Assets	8.00	6.00
Gold	5.00	3.50
Commodities	2.00	3.50
Total	<u>125.00 %</u>	

Note: Assumptions are geometric
* levered 2.x

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

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 10: Postemployment Benefits (continued)

F. Actuarial Assumptions – OP&F (continued)

Discount Rate 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 contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 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.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.07 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	\$ 1,996,482	\$ 1,620,886	\$ 1,304,560

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City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 11: Long-term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2024 was as follows:

	Balance 12/31/2023	Additions	Retired	Balance 12/31/2024	Due Within One Year
General Obligation Bonds					
2.42% 2015 Park Improvement Bonds	\$ 785,000	\$ -	\$ 125,000	\$ 660,000	\$ 125,000
Total General Obligation Bonds	<u>785,000</u>	<u>-</u>	<u>125,000</u>	<u>660,000</u>	<u>125,000</u>
Ohio Public Works Commission- Direct Borrowing					
0.00% Meadowbrook Sanitary Sewer	47,985	-	13,710	34,275	13,710
0.00% Meadowbrook Rehabilitation Phase II	199,419	-	18,992	180,427	18,992
Total Ohio Public Works Commission	<u>247,404</u>	<u>-</u>	<u>32,702</u>	<u>214,702</u>	<u>32,702</u>
Net Pension Liability					
OPERS	5,636,240	-	1,231,386	4,404,854	-
OP&F	21,232,564	215,644	-	21,448,208	-
Total Net Pension Liability	<u>26,868,804</u>	<u>215,644</u>	<u>1,231,386</u>	<u>25,853,062</u>	<u>-</u>
Net OPEB Liability					
OP&F	1,706,613	-	85,727	1,620,886	-
Total Net OPEB Liability	<u>1,706,613</u>	<u>-</u>	<u>85,727</u>	<u>1,620,886</u>	<u>-</u>
Other Obligations					
Financed Purchases Payable	980,479	295,000	266,677	1,008,802	184,272
Accrued Compensated Absences*	796,238	-	2,305	793,933	526,343
Total Other Obligations	<u>1,776,717</u>	<u>295,000</u>	<u>268,982</u>	<u>1,802,735</u>	<u>710,615</u>
Total Long-Term Liabilities	<u>\$ 31,384,538</u>	<u>\$ 510,644</u>	<u>\$ 1,743,797</u>	<u>\$ 30,151,385</u>	<u>\$ 868,317</u>

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

Principal and interest requirement to retire the long-term debt obligations outstanding at December 31, 2024 were as follows:

Year	Governmental Activities				
	General Obligation Bonds		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2025	125,000	15,972	32,702	157,702	15,972
2026	130,000	12,948	32,702	162,702	12,948
2027	130,000	9,800	25,847	155,847	9,800
2028	135,000	6,656	18,992	153,992	6,656
2029	140,000	3,388	18,992	158,992	3,388
2030-2034	-	-	85,467	85,467	-
Totals	<u>\$ 660,000</u>	<u>\$ 48,764</u>	<u>\$ 214,702</u>	<u>\$ 874,702</u>	<u>\$ 48,764</u>

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 11: Long-term Obligations (continued)

General obligation bonds are direct obligations of the City and will be paid from the General Bond Retirement Fund using property tax revenues.

On August 27, 2015, the City issued Park Improvement Bonds, Series 2015 of \$1,800,000 with an interest rate of 2.42% percent for the purpose of creating a new public park.

The Ohio Public Works Commission (OPWC) intercommunity sewer project will be paid from the Sewer Replacement "A" Fund. This loan was issued in 2001 for \$330,270 and an additional \$27,105 in 2002. The OPWC Meadowbrook Boulevard loans will be paid from the Issue II fund. The first loan was issued in 2007 for \$274,200 and Phase II loan was issued in 2007 and 2008 for \$379,841 with the first payment in the amount of \$18,992 started in 2014.

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

Compensated absences will be paid by the fund from which the employee's salary is paid. There is no repayment schedule for net pension or net OPEB liabilities; however, employer pension and OPEB contributions are made from the General Fund. See Notes 9 and 10 for further information on the City's pension and OPEB plans. See Note 20 for further information on the City's financed purchase payable.

Note 12: Risk Management

A. 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. In October 1989, the City joined together with neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self-insurance fund. The City pays an annual premium to NORMA for its insurance coverage. This coverage is paid from the General Fund.

The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. NORMA is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of NORMA. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the City. The City is not liable nor will it receive a cash balance of past claims upon departure from the pool. There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 12: Risk Management (continued)

B. Workers' Compensation

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

C. Employee Health Benefits

The City provides employee medical, prescription drug and dental benefits through the purchase of fully-insured commercial policies. The City's liability for employee health benefits is limited to the cost of policy premiums.

Note 13: Compensated Absences

Full-time employees are eligible to earn vacation leave. Vacation leave is earned on a calendar year basis at rates which vary depending upon length of service and bargaining unit. Vacation leave is non-cumulative and expires at the end of the calendar year, unless usage of the vacation was prevented due to extraordinary circumstances and the carryover of vacation is approved by the Mayor. Upon separation from the City, employees are paid for earned, unused vacation leave if the employee has at least one year of continuous service with the City.

Collective bargaining unit members are eligible to earn compensatory time in lieu of overtime compensation; non-bargaining unit employees are ineligible to earn compensatory time. The maximum compensatory time accrual before mandatory cash out of compensatory time varies depending upon the collective bargaining unit contract.

Full-time and part-time employees are eligible to earn sick leave; temporary and seasonal employees are ineligible to earn sick leave. Sick leave is earned at a rate of 4.6 hours for every 80 hours worked. There is no maximum sick leave accrual.

For non-bargaining employees, upon retirement from the City or death while an employee of the City, employees are paid for accumulated, unused sick leave at a rate of twenty-five percent of the first 2,000 hours and forty percent for the remaining hours. For non-bargaining employees, upon voluntary separation from the City, employees with ten years of service with the City are eligible to cash out accumulated, unused sick leave at a rate of one percent for every year of service with the City. For non-bargaining employees, upon involuntary separation from the City, there is no payment for accumulated, unused sick leave.

For collective bargaining unit members, upon retirement from the City after a minimum of ten years of service with the City, employees are paid for accumulated, unused sick leave at a rate of twenty-five percent of the first 2,000 hours and forty percent for the remaining hours. For collective bargaining unit members, upon separation from the City, employees with ten years of service with the City are eligible to cash out accumulated, unused sick leave at a rate of one percent for every year of service with the City.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 14: Contingencies/Pending Litigation

A. Grants

The City has 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 a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2024.

B. Litigation

The City is party to a few claims and lawsuits. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall position of the City at December 31, 2024.

Note 15: Interfund Activity

A. Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Fund</u>		
General	\$ -	\$ 1,131,000
Nonmajor Governmental Funds	1,131,000	-
Total	<u>\$ 1,131,000</u>	<u>\$ 1,131,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; distribute unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 15: Interfund Activity (continued)

B. Interfund Balances

Interfund balances for the year ended December 31, 2024, consisted of the following:

	<u>Receivables</u>	<u>Payables</u>
Major Funds		
General	\$ 639,852	\$ -
Street Maintenance	-	580,000
Nonmajor Funds		
<i>Special Revenue Funds</i>	-	59,852
	<u>\$ 639,852</u>	<u>\$ 639,852</u>

The interfund receivables and payables listed above result from a difference in the timing of when expenses are recognized in accordance with generally accepted accounting principles and when the related interfund subsidies are budgeted for payment on a cash basis.

Note 16: Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA Self-Insurance Pool, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993, the City of University Heights, whose commencement date is October 1, 2008, and the City of Beachwood, whose commencement date is November 30, 2017. After the initial three years, each City may extend its term in three-year increments. The City is currently committed as a member through September 30, 2024.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, a maximum of \$97,500 per occurrence, will come from the self-insurance pool with any excess paid from the specific stop-loss coverage carried by the pool. The self-insurance pool will pay up to \$800,000 per policy year before the aggregate stop-loss coverage takes over. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2024, the City of University Heights paid \$181,440 in premiums from the General Fund, which represents 6.61 percent of the total premiums paid by all members. Financial information can be obtained by contacting Jeffrey Knoblauch, Board President, care of the City of Hudson Finance Department, 115 Executive Parkway, Suite 400, Hudson, OH 44236.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 17: Accountability

The Special Revenue ODNR Grant, Special Revenue CDBG, Special Revenue Street Maintenance, Special Revenue Street Lighting, Special Revenue Law enforcement Federal and Special Revenue Construction Deposit, had fund deficits of \$27,043, \$22,018, \$220,265, \$11,666, \$4,465, \$7,922 respectively, at December 31, 2023. The deficits in these funds are due to accrued liabilities. The General Fund provides transfers when cash is required, not when accruals occur.

Note 18: Construction Commitments

The City has projects in process for the Cedar Road Resurfacing, the Washington/ Silsby/Saybrook Intersection, Belvoir-Silsby Roundabout, Traymore Road Water Main Replacement, Northcliffle and Saybook Water Main and Scarborough Canterbury Water Main.

Note 19: Jointly Governed Organizations

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 and/or natural gas on behalf of their citizens; the City participates with both the electricity and natural gas programs. The intent of NOPEC is to provide electricity and natural gas 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 did not contribute to NOPEC during 2024. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

The City is a member of the Chagrin Valley Dispatch Council (CVDC). The CVDC was formed by the Council to foster cooperation through the sharing of operations of a central dispatch center for safety forces of the participating entities. The CVDC is comprised of 31 communities. The CVDC is provided with legislative oversight from the Majors and City Managers of the various communities. The Administrative Board consists of the chiefs of police and fire of each member municipality. The Administrative Board oversees and manages the operation of the program. The degree of control exercised by a participating government is limited to its representation on the Administrative Board.

The City contributed a total of \$441,305 in payments to the CVDC in 2024 for dispatch services and equipment. Financial information can be obtained by contacting Vic Nogalo, Administrator, 9018 Brecksville Road, Brecksville, Ohio 44141.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 20: Financed Purchases

The City has entered into financed purchase agreement for the acquisition of a 5-Ton truck as collateral. The following is a schedule of the future long-term minimum financed purchase payments as of December 31, 2024:

Year	Payments
2025	\$ 230,222
2026	230,223
2027	230,223
2028	230,223
2029	230,224
Total	1,151,115
Less: Amount Representing Interest	(142,313)
Present Value of Minimum Lease Payment	<u>\$ 1,008,802</u>

The following table is a schedule of the present value of the agreement as of December 31, 2024.

	Governmental Activities
Capital Assets Being Depreciated	
Vehicles	\$ 1,714,332
Equipment	295,000
Total Capital Lease, being depreciated	\$ 2,009,332
Less Accumulated Depreciation	
Vehicles	534,697
Equipment	-
Capital Asset, Net	<u>\$ 1,474,635</u>

In the event of a default the following may occur (a) the lessor may declare all lease amounts and other amounts payable by lessee due and payable (b) lessor may terminate the property schedule and retake possession of the property at the City's expense (c) lessor may take action, at law or in equity, that may appear necessary or desirable to enforce or to protect any of its rights. In addition, the City will remain liable for all covenants and indemnities under this agreement and for all legal fees and other costs and expenses, incurred by the lessor with respect to the enforcements of any of the remedies.

City of University Heights, Ohio
Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2024

Note 21: Other Significant Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2024, the City's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
Major Fund:	
General	\$ 214,447
Sewer Maintenance A	289,349
Street Maintenance	80,812
Nonmajor Funds:	
Special Revenue Funds	18,179
Capital Projects Funds	575,098
Total	<u>\$ 1,177,885</u>

City of University Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System
For the Ten Years

Traditional Plan	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.016825%	0.019080%	0.017619%	0.017767%
City's Proportionate Share of the Net Pension Liability	\$ 4,404,854	\$ 5,636,240	\$ 1,532,924	\$ 2,630,906
City's Covered Payroll	\$ 2,787,614	\$ 2,912,714	\$ 2,557,029	\$ 2,502,443
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.02%	193.50%	59.95%	105.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%
Combined Plan	2024	2023	2022	2021
City's Proportion of the Net Pension (Asset)	0.015744%	0.014907%	0.012867%	0.013313%
City's Proportionate Share of the Net Pension (Asset)	\$ (48,394)	\$ (35,134)	\$ (50,697)	\$ (38,430)
City's Covered Payroll	\$ 72,292	\$ 69,564	\$ 58,664	\$ 58,671
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	66.94%	50.51%	86.42%	65.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	144.55%	137.14%	169.88%	157.67%

Amounts presented 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
0.020597%	0.018615%	0.018804%	0.019819%	0.019172%	0.018785%
\$ 4,071,137	\$ 5,098,271	\$ 2,949,984	\$ 4,500,558	\$ 3,320,832	\$ 2,265,681
\$ 2,903,721	\$ 2,508,600	\$ 2,484,954	\$ 2,561,983	\$ 2,386,092	\$ 2,310,675
140.20%	203.23%	118.71%	175.67%	139.17%	98.05%
82.17%	74.70%	84.66%	77.25%	81.08%	86.45%
2020	2019	2018	2017	2016	2015
0.032593%	0.012073%	0.012249%	0.015336%	0.012960%	0.008464%
\$ (67,964)	\$ (13,500)	\$ 16,674	\$ 8,536	\$ 6,307	\$ 3,259
\$ 139,393	\$ 57,300	\$ 50,169	\$ 59,692	\$ 47,158	\$ 31,175
48.76%	23.56%	-33.24%	-14.30%	-13.37%	-10.45%
145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's Proportion of the Net Pension Liability	0.221999%	0.223523%	0.223140%	0.226056%
City's Proportionate Share of the Net Pension Liability	\$ 21,448,208	\$ 21,232,564	\$ 13,940,502	\$ 15,410,467
City's Covered Payroll	\$ 6,319,471	\$ 5,931,141	\$ 5,669,977	\$ 5,522,170
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	339.40%	357.98%	245.87%	279.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%

Amounts presented 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
0.230559%	0.221218%	0.213101%	0.219750%	0.229063%	0.228949%
\$ 15,531,690	\$ 18,057,194	\$ 13,078,971	\$ 13,918,703	\$ 14,735,764	\$ 11,860,503
\$ 5,326,923	\$ 5,514,905	\$ 5,184,689	\$ 5,093,679	\$ 5,191,342	\$ 5,085,219
291.57%	327.43%	252.26%	273.25%	283.85%	233.23%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71%

City of University Heights, Ohio
Required Supplementary Information
Schedule of the City Pension Contributions
Ohio Public Employee Retirement System
For the Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Contractually Required Contributions</u>				
Traditional Plan	\$ 436,586	\$ 390,266	\$ 407,780	\$ 357,984
Combined Plan	<u>10,127</u>	<u>8,675</u>	<u>9,739</u>	<u>8,213</u>
Total Required Contributions	\$ 446,713	\$ 398,941	\$ 417,519	\$ 366,197
Contributions in Relation to the Contractually Required Contribution	<u>(446,713)</u>	<u>(398,941)</u>	<u>(417,519)</u>	<u>(366,197)</u>
Contribution Deficiency / (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's Covered Payroll				
Traditional Plan	\$ 3,118,471	\$ 2,787,614	\$ 2,912,714	\$ 2,557,029
Combined Plan	\$ 84,392	\$ 72,292	\$ 69,564	\$ 58,664
<u>Pension Contributions as a Percentage of Covered Payroll</u>				
Traditional Plan	14.00%	14.00%	14.00%	14.00%
Combined Plan	12.00%	12.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 350,342	\$ 406,521	\$ 351,204	\$ 323,044	\$ 307,438	\$ 286,331
<u>8,214</u>	<u>19,515</u>	<u>8,022</u>	<u>6,522</u>	<u>7,163</u>	<u>5,659</u>
\$ 358,556	\$ 426,036	\$ 359,226	\$ 329,566	\$ 314,601	\$ 291,990
<u>(358,556)</u>	<u>(426,036)</u>	<u>(359,226)</u>	<u>(329,566)</u>	<u>(314,601)</u>	<u>(291,990)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 2,502,443	\$ 2,903,721	\$ 2,508,600	\$ 2,484,954	\$ 2,561,983	\$ 2,386,092
\$ 58,671	\$ 139,393	\$ 57,300	\$ 50,169	\$ 59,692	\$ 47,158
14.00%	14.00%	14.00%	13.00%	12.00%	12.00%
14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

City of University Heights, Ohio
Required Supplementary Information
Schedule of the City Pension Contributions
Ohio Police and Fire Pension Fund
For the Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contributions	\$ 1,441,648	\$ 1,352,433	\$ 1,267,417	\$ 1,213,709
Contributions in Relation to the Contractually Required Contribution	<u>(1,441,648)</u>	<u>(1,352,433)</u>	<u>(1,267,417)</u>	<u>(1,213,709)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 6,734,008	\$ 6,319,471	\$ 5,931,141	\$ 5,669,977
Contributions as a Percentage of Covered Payroll	21.41%	21.40%	21.37%	21.41%

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,176,912	\$ 1,131,790	\$ 1,047,832	\$ 985,091	\$ 967,799	\$ 986,355
<u>(1,176,912)</u>	<u>(1,131,790)</u>	<u>(1,047,832)</u>	<u>(985,091)</u>	<u>(967,799)</u>	<u>(986,355)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,522,170	\$ 5,326,923	\$ 5,514,905	\$ 5,184,689	\$ 5,093,679	\$ 5,191,342
21.31%	21.25%	19.00%	19.00%	19.00%	19.00%

City of University Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability/Asset
Ohio Public Employee Retirement System
For the Last Eight Years (1)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's Proportion of the Net OPEB Liability/Asset	0.016635%	0.018269%	0.016850%	0.016997%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (150,135)	\$ 115,190	\$ (527,768)	\$ (302,815)
City's Covered Payroll	\$ 2,955,007	\$ 3,022,393	\$ 2,628,629	\$ 2,570,579
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-5.08%	3.81%	-20.08%	-11.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	107.76%	94.79%	128.23%	115.57%

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

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

See accompanying notes to the required supplementary information

	2020		2019		2018		2017
	0.020368%		0.017876%		0.018160%		0.019115%
\$	2,813,350	\$	2,330,608	\$	1,961,183	\$	1,930,730
\$	3,077,115	\$	2,592,871	\$	2,557,871	\$	2,641,686
	91.43%		89.89%		76.67%		73.09%
	47.80%		46.33%		54.14%		54.04%

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

	2024	2023	2022	2021
City's Proportion of the Net OPEB Liability	0.2219994%	0.2235235%	0.2231401%	0.2260564%
City's Proportionate Share of the Net OPEB Liability	\$ 1,620,886	\$ 1,591,423	\$ 2,445,807	\$ 2,395,105
City's Covered Payroll	\$ 6,319,471	\$ 5,931,141	\$ 5,669,977	\$ 5,522,170
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	25.65%	26.83%	43.14%	43.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.89%	52.59%	46.86%	45.42%

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

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.2305591%	0.2212175%	0.2131010%	0.2197500%
\$ 2,277,400	\$ 2,014,525	\$ 12,074,005	\$ 10,431,038
\$ 5,326,923	\$ 5,514,905	\$ 5,184,689	\$ 5,093,679
42.75%	36.53%	232.88%	204.78%
47.08%	46.57%	14.13%	15.96%

City of University Heights, Ohio
Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Public Employee Retirement System
For the Last Nine Years (1)

	2024	2023	2022	2021
Contractually Required Contribution	\$ 5,612	\$ 5,250	\$ 1,605	\$ 517
Contributions in Relation to the Contractually Required Contribution	<u>(5,612)</u>	<u>(5,250)</u>	<u>(1,605)</u>	<u>(517)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 3,300,970	\$ 2,955,007	\$ 3,022,393	\$ 2,628,629
Contributions as a Percentage of Covered Payroll	0.17%	0.18%	0.05%	0.02%

(1) Information prior to 2016 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 379	\$ 1,360	\$ 1,077	\$ 26,261	\$ 56,698
<u>(379)</u>	<u>(1,360)</u>	<u>(1,077)</u>	<u>(26,261)</u>	<u>(56,698)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,570,579	\$ 3,077,115	\$ 2,592,871	\$ 2,557,871	\$ 2,641,686
0.01%	0.04%	0.04%	1.03%	2.15%

City of University Heights, Ohio
Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Police and Fire Pension Fund
For the Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 33,670	\$ 31,597	\$ 29,656	\$ 28,350
Contributions in Relation to the Contractually Required Contribution	<u>(33,670)</u>	<u>(31,597)</u>	<u>(29,656)</u>	<u>(28,350)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City Covered Payroll	\$ 6,734,008	\$ 6,319,471	\$ 5,931,141	\$ 5,669,977
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 27,611	\$ 26,634	\$ 24,751	\$ 23,432	\$ 22,937	\$ 23,372
<u>(27,611)</u>	<u>(26,634)</u>	<u>(24,751)</u>	<u>(23,432)</u>	<u>(22,937)</u>	<u>(23,372)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,522,170	\$ 5,326,923	\$ 5,514,905	\$ 5,184,689	\$ 5,093,679	\$ 5,191,342
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

City of University Heights, Ohio
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2024.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2023. For 2024, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were decreased from 3.00% simple through 2023 then 2.05% simple, to 2.30% simple through 2024 then 2.05% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2024.

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

City of University Heights, Ohio
Notes to the Required Supplementary Information

time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034. For 2023, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22% (b) the municipal bond rate changed from 1.84% to 4.05% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2034 to 5.50% initial and 3.50% ultimate in 2036. For 2024, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 5.22% to 5.70% (b) the municipal bond rate changed from 4.05% to 3.77% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2036 to 5.50% initial and 3.50% ultimate in 2038.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2024.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2021, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date. For 2022, the investment rate of return was reduced from 8.00 percent to 7.50 percent. For 2023, Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates 68 adjusted by 108.9% for males and 131% for females. Mortality for active members is based on the Pub-2010 Below Medium Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale. For 2024, the Municipal Bond Index Rate decreased from 3.65 percent to 3.38 percent.

City of University Heights, Ohio
Notes to the Required Supplementary Information

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018 and 2020-2024. For 2019, see below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56. For 2021, the single discount rate changed from 3.56 to 2.96. For 2022, the single discount rate changed from 2.96 to 2.84. For 2023, the changes of assumptions were: (a) the single discount rate changed from 2.84 percent to 4.27 percent (b) the depletion year of OPEB assets is projected in year 2036 (c) mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale. For 2024, the changes of assumptions were: (a) the single discount rate changed from 4.27 to 4.07 (b) the depletion year of OPEB assets is projected in year 2038.

**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 University Heights
Cuyahoga County
2300 Warrensville Center Road
University Heights, OH 44118

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 University Heights, 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 June 27, 2025.

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

June 27, 2025

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

The prior issued audit report, as of December 31, 2023, included no findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF UNIVERSITY HEIGHTS

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 11/25/2025

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