

**CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Members of City Council
City of South Euclid
1349 South Green Road
South Euclid, Ohio 44121

We have reviewed the *Independent Auditor's Report* of the City of South Euclid, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2020 through December 31, 2020. 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 South Euclid is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

March 24, 2022

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**CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of South Euclid
South Euclid, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Euclid, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 South Euclid as of December 31, 2020, and the respective changes in financial position and the budgetary comparisons for the General Fund and the Safety Forces Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the basic financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. As discussed in Note 23 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. Our opinion is not modified with respect to these matters.

Other Matters

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, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022, 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 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 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.



James G. Zupka, CPA, Inc.
Certified Public Accountants

February 14, 2022

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City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The discussion and analysis of the City of South Euclid's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2020 are as follows:

- During 2020, the City of South Euclid saw property taxes remain stable.
- The increase in assets and deferred inflows of the City coupled with the decrease in liabilities and deferred outflows at December 31, 2020 resulted in the City's increase in net position from 2019 to 2020. This is due to increases in cash and cash equivalents as revenues outpaced expenses.
- The City made capital purchases for equipment and vehicles as well as infrastructure improvements as they continue to replace aging assets.
- As of December 31, 2020, the City has nine lots on Greenvale which are being held for resale. Assets held for resale represent land purchased by the City which will be sold for development purposes and homes purchased and repaired to be resold under the Community Development in-fill housing project.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of South Euclid's basic financial statements. These statements are organized so that the reader can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Government-wide financial statements – Reporting the City of South Euclid as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information, excluding fiduciary funds, on all the City of South Euclid's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in tax laws and the condition of capital assets should also be considered. Both the Statement of Net Position and the Statement of Activities use the accrual basis of accounting that is similar to the accounting method 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 South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenues and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

Reporting the City of South Euclid's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 11. Fund financial reports provide detailed information about the City's major funds. The City of South Euclid has established many funds that account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. The City's major funds are the general fund, the safety forces levy special revenue fund and the flood control capital projects fund.

Governmental Funds

Most of the City's activities are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Both the governmental fund balance sheet and the governmental 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.

Government-wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net position and the changes in that position. The change in position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. As can be seen from the increase in net position, the overall financial position has improved. This increase can be attributed to the increase in cash and cash equivalents as the City continues to pay down debt while trying to build cash reserves.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The City of South Euclid as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019.

Table 1
Net Position

	Governmental Activities		
	2020	2019	Change
Assets			
Current and Other Assets	\$33,310,427	\$30,442,001	\$2,868,426
Net Pension Asset	43,641	23,864	19,777
Capital Assets, Net	49,286,035	47,977,741	1,308,294
Total Assets	82,640,103	78,443,606	4,196,497
Deferred Outflows of Resources			
Pension	3,199,948	7,753,487	(4,553,539)
OPEB	2,058,299	1,644,769	413,530
Total Deferred Outflows of Resources	5,258,247	9,398,256	(4,140,009)
Liabilities			
Current Liabilities	2,333,727	3,169,050	(835,323)
Long-Term Liabilities:			
Due Within One Year	1,245,109	1,126,524	118,585
Due in More Than One Year			
Net Pension Liability	22,476,333	28,883,562	(6,407,229)
Net OPEB Liability	5,817,295	5,587,723	229,572
Other Amounts	17,992,426	18,982,647	(990,221)
Total Liabilities	\$49,864,890	\$57,749,506	(\$7,884,616)

(Continued)

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Table 1
Net Position (Continued)

	Governmental Activities		
	2020	2019	Change
Deferred Inflows of Resources			
Property Taxes	\$5,594,204	\$5,879,452	(\$285,248)
Payments in Lieu of Taxes	375,000	783,967	(\$408,967)
Gain on Refunding	59,777	62,623	(\$2,846)
Pension	3,616,938	661,837	\$2,955,101
OPEB	1,796,179	1,200,018	\$596,161
Total Deferred Inflows of Resources	<u>11,442,098</u>	<u>8,587,897</u>	<u>2,854,201</u>
Net Position			
Net Investment in Capital Assets	32,686,335	30,392,675	2,293,660
Restricted for:			
Capital Projects	5,493,093	4,705,460	787,633
Law Enforcement	1,004,544	703,733	300,811
Street Maintenance	1,783,444	1,536,087	247,357
Street Lighting	884,097	721,740	162,357
Sewer Maintenance	553,510	465,207	88,303
Community Development	21,934	21,934	0
Other Purposes	1,631,148	1,990,500	(359,352)
Unrestricted (Deficit)	<u>(17,466,743)</u>	<u>(19,032,877)</u>	<u>1,566,134</u>
<i>Total Net Position</i>	<u>\$26,591,362</u>	<u>\$21,504,459</u>	<u>\$5,086,903</u>

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the City is not responsible for certain key factors affecting the balance of these liabilities.

In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
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In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total net position increased from 2019 to 2020 due to increases in current and other assets offset by a decrease in deferred outflows of resources and a decrease in liabilities partially offset by an increase in deferred inflows of resources. The increase in capital assets was primarily due to purchases of additional vehicles and equipment and continuing capital outlays exceeding depreciation and deletions.

Total liabilities decreased due to current liabilities such as contracts payable, notes payable and accrued wages decreasing as well as the continued pay down of long-term debt and decrease in net pension liability.

Table 2 shows the changes in net position for the years ended December 31, 2020 and 2019 and corresponds to the Statement of Activities on page 17.

Table 2
Changes in Net Position

	Governmental Activities		
	2020	2019	Change
Revenues			
Program Revenues:			
Charges for Services and			
Operating Assessments	\$5,372,082	\$5,458,919	(\$86,837)
Operating Grants and Contributions	3,427,719	2,010,715	1,417,004
Capital Grants	717,782	301,006	416,776
Total Program Revenues	<u>9,517,583</u>	<u>7,770,640</u>	<u>1,746,943</u>
General Revenues:			
Property Taxes	6,687,032	6,756,713	(69,681)
Income Taxes	13,048,246	9,917,479	3,130,767
Grants and Entitlements	2,207,141	1,692,810	514,331
Payments in Lieu of Taxes	144,372	783,967	(639,595)
Unrestricted Contributions	22,500	19,288	3,212
Interest	180,922	204,185	(23,263)
Gain on Sale of Capital Assets	10,126	3,468	6,658
Miscellaneous	716,652	651,446	65,206
Total General Revenues	<u>23,016,991</u>	<u>20,029,356</u>	<u>2,987,635</u>
<i>Total Revenues</i>	<u>\$32,534,574</u>	<u>\$27,799,996</u>	<u>\$4,734,578</u>

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Table 2
Changes in Net Position (Continued)

	Governmental Activities		
	2020	2019	Change
Program Expenses			
General Government:			
Legislative and Executive	\$4,355,482	\$3,721,984	(\$633,498)
Judicial System	783,777	889,769	105,992
Security of Persons and Property:			
Police	6,950,414	1,370,102	(5,580,312)
Fire	5,666,039	(625,305)	(6,291,344)
Public Health Services	39,453	50,925	11,472
Leisure Time Activities	308,004	384,519	76,515
Community Development	777,876	864,114	86,238
Building Department	1,236,717	1,347,253	110,536
Transportation	3,551,529	3,756,992	205,463
Basic Utility Services	3,191,724	3,462,336	270,612
Swimming Pools	111,798	337,413	225,615
Interest and Fiscal Charges	474,858	650,065	175,207
Total Program Expenses	<u>27,447,671</u>	<u>16,210,167</u>	<u>(11,237,504)</u>
<i>Change in Net Position</i>	5,086,903	11,589,829	(6,502,926)
<i>Net Position Beginning of Year</i>	<u>21,504,459</u>	<u>9,914,630</u>	<u>11,589,829</u>
<i>Net Position End of Year</i>	<u><u>\$26,591,362</u></u>	<u><u>\$21,504,459</u></u>	<u><u>\$5,086,903</u></u>

Program revenues increased in 2020 mainly due to an increase in operating grants and contributions due to a large amount of intergovernmental revenue for coronavirus relief. There was also an increase in capital grants as more capital projects were underway. General revenues increased mainly due to increases in income taxes being received. In 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$1,209,733 in 2018 to a negative OPEB expense of \$12,228,811 for 2019. In 2020, the OPEB expense is \$212,033.

Governmental Activities

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate was 1.5 percent from 1984 through 2005. In August 2005 the voters of South Euclid passed an income tax rate increase to 2.00 percent. The new rate of 2.00 percent became effective January 1, 2006. The City experienced an increase in income tax collections in 2020. The City remains committed to collecting all taxes due to it and during 2021 working in conjunction with the Regional Income Tax Agency to identify and assess individuals who were delinquent in filing their income tax returns. Despite a slight decrease in property tax revenues in 2020, property tax revenue remained the City's second largest source of revenues. Revenues from grants and entitlements represented approximately 9.6 percent of total general revenues. These funds are received from the State of Ohio in the form of local government assistance.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The City of South Euclid has committed to devote major resources in its quest to renovate the City's aging infrastructure system, in particular the sewer system. As a part of this commitment, beginning in 2001, each property in the City is annually assessed \$231 per sewer connection. This assessment generates approximately \$333,000 devoted to ongoing sewer maintenance and \$2,000,000 designated for flood control projects.

The City continued its commitment to providing quality roads and sidewalks to our residents. The expiring 3-mill property tax levy was reduced to 2.5-mills and approved by the voters in May 2010. Using the proceeds from that 2.5-mill property tax levy, the City continues to reconstruct/resurface roads.

In order to maintain the safety and environment the residents deserve and expect, the City had to replace some of the antiquated equipment in the Service Department.

The City's Funds

Information about the City's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. Overall, governmental funds had an increase in total revenues and a decrease in total expenditures from 2019. Revenues increased due to increases in income taxes, special assessments, intergovernmental, charges for services, contributions and donation and other revenues collected. Expenditures decreased due to decreased capital expenditures. The general fund experienced increases in revenues from 2019 in property taxes, income taxes, special assessments, intergovernmental, charges for services, contributions and donations and other revenues. The City experienced decreases in general fund expenditures compared to 2019 levels. The decreases in expenditures can be attributed to a general decrease in operating expenditures. General fund revenues and other financing sources exceeded expenditures and other financing uses, resulting in the general fund balance increasing from 2019.

During 2020, the safety forces levy special revenue fund balance increased due to revenues outpacing expenditures during the year. The flood control capital projects fund balance increased as a result of revenues outpacing expenditures as capital projects decreased during the year.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at Finance Committee meetings, which are open to the public, the budget is adopted at an object level by City Council at a regularly held council meeting. Council must approve any revisions in the budget that alter the object level or the total appropriations for any department or fund.

During 2020, the actual revenue amount exceeded the final budget. Final appropriations exceeded actual expenditures. This variance was due primarily to the conservative budgeting techniques of the City and a concerted effort to reduce spending at the end of the year.

The City's ending unobligated budgetary fund balance was higher than the final budget amount.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Capital Assets and Long-Term Obligations

Capital Assets

Table 3 shows 2020 balances of capital assets as compared to 2019.

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

	Governmental Activities	
	2020	2019
Land	\$517,278	\$517,278
Construction in Progress	636,710	25,144
Buildings and Improvements	929,403	1,010,197
Equipment	1,168,008	1,255,040
Vehicles	1,782,675	1,873,856
Infrastructure		
Streets	15,385,897	15,416,274
Bridges, Sewers and Culverts	28,578,356	27,585,986
Traffic Signals	287,708	293,966
Total Capital Assets	\$49,286,035	\$47,977,741

The increase in capital assets was primarily due to additions of vehicles, equipment and continuing capital construction projects exceeding an additional year of depreciation coupled with deletions of vehicles during the year.

In 2001, the City Council approved the implementation of fees for Emergency Medical Services (EMS) transports beginning in 2002. The first \$225,000 collected annually is designated for the replacement of safety forces vehicles. This will allow the fire and police departments to follow their scheduled replacement timetable without relying on traditional revenue sources.

The City's garage staff works to maintain the fleet of vehicles at a high level of repair to extend their longevity. When replacement is required, City vehicles continue to be purchased or leased from the general capital improvement fund, which receives funding from the general fund.

The City Engineer maintains a comprehensive listing of all the streets, sewer and water lines and bridges and culverts within the City. Each spring, this inventory is updated with current conditions and recommendations made for repair or replacement. As mentioned before, the City has been very aggressive in pursuing funding to assist in the financing of infrastructure projects. For more information about the City's capital assets, see Note 10 to the basic financial statements.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Long-Term Obligations

Table 4 summarizes the long-term obligations outstanding.

Table 4
Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$13,378,609	\$13,807,913
Special Obligation Bonds	1,230,000	1,345,000
OPWC Loans	1,947,396	2,048,006
OWDA Loans	759,565	872,480
OAQDA Loans	359,189	413,398
Net Pension Liability	22,476,333	28,883,562
Net OPEB Liability	5,817,295	5,587,723
Police and Fire Pension Liability	209,537	219,852
Capital Lease	153,773	256,187
Asset Retirement Obligation	70,000	70,000
Compensated Absences	1,129,466	1,076,335
Total	\$47,531,163	\$54,580,456

The real estate acquisition and urban redevelopment general obligation bonds with the original issuance amount of \$14,130,000 were issued for construction projects throughout the City and will be repaid with revenues from the land acquisition capital projects fund.

The various purpose improvement bonds with the original issuance amount of \$12,710,000 will be paid with revenues from the road improvement and flood control capital projects funds.

The housing development special obligation bonds with the original issuance amount of \$1,840,000 were issued for real estate purchases for the clearing and improving of the site. This bond will be repaid with revenues from the land acquisition capital projects fund.

The various purpose improvement bonds with the original issuance amount of \$5,430,000 will be paid with revenues from the road improvement and flood control capital projects funds.

The OPWC loans represent nine, twenty-year zero-interest loans. The OPWC loan's repayment source is service assessments being collected in the flood control fund.

The City of South Euclid's overall legal debt margin is \$40,246,553 with an unvoted debt margin of \$21,081,528 on December 31, 2020. For more information about the City's long-term obligations, see Note 13 to the basic financial statements.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Current Financial Related Activities

The City of South Euclid has remained strong despite the challenging environment of the State and national economy. The administration has provided consistent fiscal management during this time, holding general operating expenses in check while maintaining City services at a high level in 2020. The administration will continue to monitor the revenues and expenses and make appropriate adjustments as needed. The administration continues toward its goal of keeping all residents and other interested parties fully informed as to the financial status of the City of South Euclid.

Contacting the City of South Euclid's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Wendt, Finance Director, at the City of South Euclid, 1349 South Green Road, South Euclid, Ohio 44121-3985, (216) 381-0400, or e-mail to Finance@seuclid.com.

Basic Financial Statements

City of South Euclid, Ohio
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,317,254
Cash and Cash Equivalents In Segregated Accounts	9,498
Accounts Receivable	38,308
Accrued Interest Receivable	20,983
Intergovernmental Receivable	1,404,956
Prepaid Items	317,773
Materials and Supplies Inventory	350,316
Income Taxes Receivable	5,697,407
Property Taxes Receivable	6,245,871
Special Assessments Receivable	3,798,461
Payments in Lieu of Taxes Receivable	375,000
Assets Held for Resale	62,800
Economic Development Properties	1,671,800
Net Pension Asset	43,641
Nondepreciable Capital Assets	1,153,988
Depreciable Capital Assets	48,132,047
<i>Total Assets</i>	<i>82,640,103</i>
Deferred Outflows of Resources	
Pension	3,199,948
OPEB	2,058,299
<i>Total Deferred Outflows of Resources</i>	<i>5,258,247</i>
Liabilities	
Accounts Payable	512,283
Accrued Wages	155,575
Intergovernmental Payable	195,896
Accrued Interest Payable	42,716
Vacation Benefits Payable	737,768
Deposits Held Payable	678,776
Payroll Withholdingss	1,906
Unearned Revenue	8,807
Long-Term Liabilities:	
Due Within One Year	1,245,109
Due In More Than One Year	
Net Pension Liability (See Note 17)	22,476,333
Net OPEB Liability (See Note 18)	5,817,295
Other Amounts	17,992,426
<i>Total Liabilities</i>	<i>49,864,890</i>
Deferred Inflows of Resources	
Property Taxes	5,594,204
Payments in Lieu of Taxes	375,000
Gain on Refunding	59,777
Pension	3,616,938
OPEB	1,796,179
<i>Total Deferred Inflows of Resources</i>	<i>11,442,098</i>
Net Position	
Net Investment in Capital Assets	32,686,335
Restricted for:	
Capital Projects	5,493,093
Law Enforcement	1,004,544
Street Maintenance	1,783,444
Street Lighting	884,097
Sewer Maintenance	553,510
Community Development	21,934
Other Purposes	1,631,148
Unrestricted (Deficit)	(17,466,743)
<i>Total Net Position</i>	<i>\$26,591,362</i>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Operating Assessments	Operating Grants and Contributions	Revenue and Changes in Net Position	
			Capital Grants	Governmental Activities	
Governmental Activities:					
General Government:					
Legislative and Executive	\$4,355,482	\$295,880	\$915,606	\$0	(\$3,143,996)
Judicial System	783,777	174,197	0	0	(609,580)
Security of Persons and Property:					
Police	6,950,414	562,393	895,540	0	(5,492,481)
Fire	5,666,039	337,526	384,663	0	(4,943,850)
Public Health Services	39,453	229,201	0	0	189,748
Leisure Time Activities	308,004	26,885	25,931	0	(255,188)
Community Development	777,876	45,874	111,200	0	(620,802)
Building Department	1,236,717	99,672	0	0	(1,137,045)
Transportation	3,551,529	412,710	1,094,779	717,782	(1,326,258)
Basic Utility Services	3,191,724	3,187,744	0	0	(3,980)
Swimming Pools	111,798	0	0	0	(111,798)
Interest and Fiscal Charges	474,858	0	0	0	(474,858)
<i>Total Governmental Activities</i>	<u>\$27,447,671</u>	<u>\$5,372,082</u>	<u>\$3,427,719</u>	<u>\$717,782</u>	<u>(17,930,088)</u>
General Revenues					
Property Taxes Levied for:					
					3,760,900
					769,444
					2,156,688
					13,048,246
					2,207,141
					144,372
					22,500
					180,922
					10,126
					<u>716,652</u>
<i>Total General Revenues</i>					<u>23,016,991</u>
					5,086,903
					<u>21,504,459</u>
					<u>\$26,591,362</u>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio

Balance Sheet

Governmental Funds

December 31, 2020

	General	Safety Forces Levy	Flood Control	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,394,259	\$123,644	\$753,555	\$4,083,883	\$12,355,341
Cash and Cash Equivalents					
In Segregated Accounts	8,282	0	0	1,216	9,498
Materials and Supplies Inventory	79,180	0	0	271,136	350,316
Accrued Interest Receivable	20,983	0	0	0	20,983
Accounts Receivable	38,308	0	0	0	38,308
Interfund Receivable	111,510	0	0	0	111,510
Intergovernmental Receivable	548,406	30,632	0	825,918	1,404,956
Prepaid Items	304,891	0	0	12,882	317,773
Income Taxes Receivable	5,697,407	0	0	0	5,697,407
Property Taxes Receivable	3,320,085	1,958,303	0	967,483	6,245,871
Payments in Lieu of Taxes Receivable	0	0	0	375,000	375,000
Restricted Cash and Cash Equivalents	909,140	0	0	52,773	961,913
Assets Held for Resale	0	0	0	62,800	62,800
Special Assessments Receivable	111,557	0	2,652,932	1,033,972	3,798,461
<i>Total Assets</i>	<u>\$18,544,008</u>	<u>\$2,112,579</u>	<u>\$3,406,487</u>	<u>\$7,687,063</u>	<u>\$31,750,137</u>
Liabilities					
Accounts Payable	\$430,919	\$0	\$2,400	\$78,964	\$512,283
Accrued Wages	143,240	0	0	12,335	155,575
Intergovernmental Payable	58,602	112,534	466	24,294	195,896
Deposits Held Payable	626,003	0	0	52,773	678,776
Payroll Withholdings	1,906	0	0	0	1,906
Interfund Payable	0	0	0	111,510	111,510
Unearned Revenue	0	0	0	8,807	8,807
<i>Total Liabilities</i>	<u>1,260,670</u>	<u>112,534</u>	<u>2,866</u>	<u>288,683</u>	<u>1,664,753</u>
Deferred Inflows of Resources					
Property Taxes	2,973,682	1,753,982	0	866,540	5,594,204
Payments in Lieu of Taxes	0	0	0	375,000	375,000
Unavailable Revenue	5,801,713	234,953	2,652,932	1,761,538	10,451,136
<i>Total Deferred Inflows of Resources</i>	<u>8,775,395</u>	<u>1,988,935</u>	<u>2,652,932</u>	<u>3,003,078</u>	<u>16,420,340</u>
Fund Balances					
Nonspendable	667,208	0	0	284,018	951,226
Restricted	0	11,110	750,689	4,076,668	4,838,467
Committed	0	0	0	34,616	34,616
Assigned	5,063,488	0	0	0	5,063,488
Unassigned	2,777,247	0	0	0	2,777,247
<i>Total Fund Balances</i>	<u>8,507,943</u>	<u>11,110</u>	<u>750,689</u>	<u>4,395,302</u>	<u>13,665,044</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$18,544,008</u>	<u>\$2,112,579</u>	<u>\$3,406,487</u>	<u>\$7,687,063</u>	<u>\$31,750,137</u>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2020*

Total Governmental Fund Balances	\$13,665,044
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,286,035
Economic development properties are not financial resources and therefore are not reported in the funds.	1,671,800
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	651,667
Income Taxes	4,856,646
Special Assessments	3,798,461
Intergovernmental	<u>1,144,362</u>
Total	10,451,136
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(42,716)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(737,768)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Net Pension Asset	43,641
Deferred Outflows - Pension	3,199,948
Deferred Inflows - Pension	(3,616,938)
Net Pension Liability	(22,476,333)
Deferred Outflows - OPEB	2,058,299
Net OPEB Liability	(5,817,295)
Deferred Inflows - OPEB	<u>(1,796,179)</u>
Total	(28,404,857)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds Payable	(13,378,609)
Special Obligation Bonds Payable	(1,230,000)
OPWC Loans Payable	(1,947,396)
OWDA Loans Payable	(759,565)
OAQDA Loans Payable	(359,189)
Police and Fire Pension Loan Payable	(209,537)
Capital Leases Payable	(153,773)
Asset Retirement Obligation	(70,000)
Compensated Absences	(1,129,466)
Deferred Gain on Refunding	<u>(59,777)</u>
Total	<u>(19,297,312)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$26,591,362</u></u>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Safety Forces Levy	Flood Control	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,800,712	\$1,984,249	\$0	\$980,700	\$6,765,661
Income Taxes	12,154,843	0	0	0	12,154,843
Special Assessments	75,218	0	2,035,168	821,570	2,931,956
Intergovernmental	2,251,654	61,264	0	3,799,551	6,112,469
Interest	180,922	0	0	0	180,922
Fees, Licenses and Permits	783,326	0	0	0	783,326
Fines and Forfeitures	514,754	0	0	134,294	649,048
Rentals	1,579	0	0	0	1,579
Charges for Services	367,830	0	0	584,328	952,158
Contributions and Donations	22,500	0	0	4,159	26,659
Payments in Lieu of Taxes	0	0	0	144,372	144,372
Other	684,958	0	7,190	24,504	716,652
<i>Total Revenues</i>	<u>20,838,296</u>	<u>2,045,513</u>	<u>2,042,358</u>	<u>6,493,478</u>	<u>31,419,645</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	3,361,092	0	0	913,166	4,274,258
Judicial System	624,734	0	0	97,066	721,800
Security of Persons and Property:					
Police	4,850,981	497,401	0	960,080	6,308,462
Fire	3,173,464	1,455,698	0	399,727	5,028,889
Public Health Services	39,453	0	0	0	39,453
Leisure Time Activities	256,014	0	0	25,931	281,945
Community Development	432,990	0	0	0	432,990
Building Department	1,165,312	0	0	0	1,165,312
Transportation	880,883	0	0	1,181,861	2,062,744
Basic Utility Services	1,564,375	0	0	800,358	2,364,733
Swimming Pools	47,147	0	0	0	47,147
Capital Outlay	0	0	1,552,270	2,118,546	3,670,816
Debt Service:					
Principal Retirement	10,315	0	203,390	681,758	895,463
Interest and Fiscal Charges	9,235	0	25,332	470,706	505,273
<i>Total Expenditures</i>	<u>16,415,995</u>	<u>1,953,099</u>	<u>1,780,992</u>	<u>7,649,199</u>	<u>27,799,285</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,422,301</u>	<u>92,414</u>	<u>261,366</u>	<u>(1,155,721)</u>	<u>3,620,360</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	10,138	0	0	0	10,138
Transfers In	0	0	0	2,508,276	2,508,276
Transfers Out	(2,508,276)	0	0	0	(2,508,276)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,498,138)</u>	<u>0</u>	<u>0</u>	<u>2,508,276</u>	<u>10,138</u>
<i>Net Change in Fund Balances</i>	1,924,163	92,414	261,366	1,352,555	3,630,498
<i>Fund Balances (Deficit) Beginning of Year</i>	6,583,780	(81,304)	489,323	3,042,747	10,034,546
<i>Fund Balances End of Year</i>	<u>\$8,507,943</u>	<u>\$11,110</u>	<u>\$750,689</u>	<u>\$4,395,302</u>	<u>\$13,665,044</u>

See accompanying notes to the basic financial statements

City of South Euclid, 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, 2020*

Net Change in Fund Balances - Total Governmental Funds	\$3,630,498
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays and land purchased for resale as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
Capital Asset Additions	3,588,206
Economic Development Properties Addition	111,200
Current Year Depreciation	(2,279,912)
Total	1,419,494
Governmental funds only report the disposal of capital assets and land bank assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal:	
Economic Development Properties Deletions	(336,700)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	(78,629)
Income Taxes	893,403
Intergovernmental	124,814
Special Assessments	54,015
Total	993,603
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	1,734,201
OPEB	30,569
Total	1,764,770
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:	
Pension	(2,815,835)
OPEB	(442,772)
Total	(3,258,607)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal Retirement	895,463
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:	
Accrued Interest	(1,735)
Amortization of Deferred Gain on Refunding	2,846
Amortization of Premium	29,304
Total	30,415
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	(53,131)
Vacation Benefits	1,098
Total	(52,033)
<i>Change in Net Position of Governmental Activities</i>	\$5,086,903
See accompanying notes to the basic financial statements	

City of South Euclid, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,434,373	\$3,659,809	\$3,800,712	\$140,903
Income Taxes	11,105,870	11,834,874	12,290,517	455,643
Special Assessments	67,968	72,429	75,218	2,789
Intergovernmental	2,050,292	2,171,432	2,247,147	75,715
Interest	177,430	189,077	196,356	7,279
Fees, Licenses and Permits	733,032	781,150	811,224	30,074
Fines and Forfeitures	479,645	511,129	530,808	19,679
Rentals	7,196	7,669	7,964	295
Charges for Services	388,263	357,073	367,705	10,632
Contributions and Donations	20,331	21,666	22,500	834
Other	120,321	128,884	134,236	5,352
<i>Total Revenues</i>	18,584,721	19,735,192	20,484,387	749,195
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,793,369	3,871,113	3,114,616	756,497
Judicial System	804,098	804,099	677,644	126,455
Security of Persons and Property:				
Police	6,065,527	6,022,025	5,159,587	862,438
Fire	4,381,315	4,501,313	3,420,530	1,080,783
Public Health Services	101,133	101,133	76,816	24,317
Leisure Time Activities	409,291	405,066	283,514	121,552
Community Development	718,810	743,075	627,572	115,503
Building Department	1,155,709	1,155,724	991,071	164,653
Transportation	1,145,048	1,649,362	1,469,946	179,416
Basic Utility Services	1,572,615	1,581,242	1,565,336	15,906
<i>Total Expenditures</i>	20,146,915	20,834,152	17,386,632	3,447,520
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,562,194)	(1,098,960)	3,097,755	4,196,715
Other Financing Sources (Uses)				
Sale of Capital Assets	10,138	10,138	10,138	0
Advances Out	(111,510)	(111,510)	(111,510)	0
Transfers Out	(2,287,490)	(2,853,276)	(2,853,276)	0
<i>Total Other Financing Sources (Uses)</i>	(2,388,862)	(2,954,648)	(2,954,648)	0
<i>Net Change in Fund Balance</i>	(3,951,056)	(4,053,608)	143,107	4,196,715
<i>Fund Balance Beginning of Year</i>	4,495,255	4,495,255	4,495,255	0
Prior Year Encumbrances Appropriated	834,488	834,488	834,488	0
<i>Fund Balance End of Year</i>	\$1,378,687	\$1,276,135	\$5,472,850	\$4,196,715

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Levy Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,873,600	\$1,984,249	\$1,984,249	\$0
Intergovernmental	63,566	61,264	61,264	0
<i>Total Revenues</i>	1,937,166	2,045,513	2,045,513	0
Expenditures				
Current:				
Security of Persons and Property:				
Police	495,000	495,000	489,988	5,012
Fire	1,455,000	1,455,000	1,449,987	5,013
<i>Total Expenditures</i>	1,950,000	1,950,000	1,939,975	10,025
<i>Net Change in Fund Balance</i>	(12,834)	95,513	105,538	10,025
<i>Fund Balance Beginning of Year</i>	18,106	18,106	18,106	0
<i>Fund Balance End of Year</i>	\$5,272	\$113,619	\$123,644	\$10,025

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2020

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$91,199</u>
Liabilities	
Accounts Payable	1,244
Intergovernmental Payable	<u>89,955</u>
<i>Total Liabilities</i>	<u>91,199</u>
Net Position	
Restricted for Individuals, Organizations or Other Governments	<u>\$0</u>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2020

<hr/> <hr/>	
Additions	
Fines and Forfeitures for Individuals	\$23,056
Fines and Forfeitures for Other Governments	<u>583,368</u>
<i>Total Additions</i>	<u>606,424</u>
Deletions	
Distributions to Individuals	8,964
Distributions to Other Governments	<u>597,460</u>
<i>Total Deductions</i>	<u>606,424</u>
<i>Net Change in Fiduciary Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Note 1 – Description of the City and Reporting Entity

The City of South Euclid (the “City”) is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council form of government, was adopted November 3, 1953. Legislative authority is vested in a seven-member Council. Council members are elected for staggered four year terms. The Mayor is the chief executive and administrative officer who is elected for a four year term.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The 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 South Euclid this includes the agencies and departments that provide the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, municipal court and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process. The clerk of courts is an appointed City official who has a fiduciary responsibility for the collection and distribution of the court fees and fines.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The City has no component units.

The City is associated with seven organizations: one shared risk pool and six defined as jointly governed organizations. The Northern Ohio Risk Management Association is a shared risk pool. The Community Partnership on Aging, the Northeast Ohio Public Energy Council, the First Suburbs Consortium of Northeast Ohio Council of Governments, the Suburban Water Regional Council of Governments, the Heights-Hillcrest Communications Center and the Regional Income Tax Agency (RITA) are jointly governed organizations. These organizations are presented in Notes 9 and 19 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Basis of Presentation

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

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

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

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

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental or fiduciary.

Governmental Funds

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

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Safety Forces Levy Fund - The safety forces levy fund accounts for and reports restricted property taxes that are to be used for police and fire services within the City.

Flood Control Fund - The flood control fund accounts for and reports restricted special assessments levied to complete projects to correct flooding within the City.

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 arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are custodial funds. The custodial funds are for fines and fees collected for the benefit of and distributed to other governments and individuals.

Measurement Focus

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

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

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

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net 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 OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 17 and 18.

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 position 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, payments in lieu of taxes, pension, OPEB, a gain on refunding and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 17 and 18)

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

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

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

During the year, the City invested in federal home loan bank bonds, negotiable certificates of deposit and a money market mutual fund. Investments are reported at fair value which is based on quoted market prices or current share prices.

Following the Charter and Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the general fund and safety forces vehicle capital projects fund. Interest revenue credited to the general fund during 2020 amounted to \$180,922, which includes \$68,851 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for unclaimed monies and amounts held on deposit for contractors. Restricted assets in the fire damage deposits special revenue fund represent insurance payments held for homeowners to be paid when repairs caused by fire are completed.

Unearned Revenue

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

Economic Development Properties

The City's land bank contains certain nonproductive foreclosure properties which were acquired at no cost to the City. A not-for-profit company, One South Euclid, works in conjunction with the City for these properties. One South Euclid identifies a specific property and with the approval of City Council, purchases for \$1, and makes improvements to the property with the purpose of reselling it as a viable and productive property within the community. The properties held by the City at year end are reported as economic development properties and are valued at fair market value at the time acquired. Since these properties are expected to be donated to One South Euclid and not converted to cash, they are reported in the governmental activities column of the statement of net position, but are not reported in the fund financial statements.

Assets Held for Resale

Assets held for resale represent land purchased by the City which will be sold for development purposes and homes purchased and repaired to be resold under the Community Development in-fill housing project. As of December 31, 2020, the City has nine lots on Greenvale which are being held for resale.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Capital Assets

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of seven thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Buildings and Improvements	15 - 40 years
Equipment	5 - 20 years
Vehicles	8 years
Streets	30 years
Bridges, Sewers and Culverts	60 years
Traffic Signals	50 years

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year, ending December 31st, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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

Accrued Liabilities and Long-Term Obligations

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Deferred Gain on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the straight-line method and is presented as deferred inflows of resources on the statement of net position.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes property acquired for resale, unless the use of the proceeds 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 or resolution, as both are equally legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints 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. These amounts are assigned by Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2021’s budget and for swimming pools, community diversion programs and salaries and benefits.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for police range and police and fire pensions.

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

Internal Activity

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

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

Bond/Note Premiums

On the government-wide financial statements, bond/note premiums are deferred and amortized over the term of the bonds/notes using the straight line method. Bond/note premiums are presented as an increase of the face amount of the general obligation bonds payable and notes payable. On fund financial statements, bond/note premiums are receipted in the year the bonds/notes are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does not allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Estimates

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. For reporting purposes, various custodial funds, utilized for internal control purposes, have been combined with the general fund and community development special revenue fund. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds. The Finance Director has been authorized to allocate appropriations within the object level within each fund.

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

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

Note 3 - 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund and safety forces levy special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Investments are reported at cost (budget) rather than fair value (GAAP).
3. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.
4. Budgetary revenues and expenditures of the swimming pools fund are classified to the general fund for GAAP reporting.
5. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
6. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
7. Certain non-budgeted activity was not included in the appropriated activity of the fund.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the general fund and safety forces levy special revenue fund are as follows:

	Net Change in Fund Balance	
	General	Safety Forces Levy
GAAP Basis	\$1,924,163	\$92,414
Net Adjustment for Revenue Accruals	(138,712)	0
Beginning Fair Value Adjustment for Investments	(4,113)	0
Ending Fair Value Adjustment for Investments	5,607	0
Beginning Unrecorded Cash	21,344	0
Ending Unrecorded Cash	(7,099)	0
Beginning Non-Budgeted Activity	695,541	0
Ending Non-Budgeted Activity	(851,614)	0
Perspective Difference:		
Swimming Pools	172,313	0
Salary and Benefit Reserve	(274,141)	0
Net Adjustment for Expenditure Accruals	337,990	13,124
Advances Out	(111,510)	0
Encumbrances	(1,626,662)	0
Budget Basis	\$143,107	\$105,538

Note 4 – Asset Retirement Obligations

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a City classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. The asset retirement obligation (ARO) of \$70,000 associated with the City’s underground storage tanks was estimated by the City engineer. The USTs have been fully depreciated. The City maintains insurance related to any potential pollution remediation associated with the USTs.

Note 5 - Fund Balances

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

Fund Balances	General	Safety Forces Levy	Flood Control	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$283,137	\$0	\$0	\$0	\$283,137
Prepays	304,891	0	0	12,882	317,773
Inventory	79,180	0	0	271,136	350,316
<i>Total Nonspendable</i>	\$667,208	\$0	\$0	\$284,018	\$951,226

(continued)

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Fund Balances (continued)	General	Safety Forces Levy	Flood Control	Other Governmental Funds	Total
<i>Restricted for</i>					
Sewer Rental	\$0	\$0	\$0	\$175,595	\$175,595
Home Improvement	0	0	0	21,934	21,934
Public Safety	0	11,110	0	647,891	659,001
Street Maintenance	0	0	0	996,309	996,309
Debt Service Payments	0	0	0	8,937	8,937
Street Lighting	0	0	0	271,445	271,445
Capital Improvements	0	0	750,689	1,954,557	2,705,246
<i>Total Restricted</i>	0	11,110	750,689	4,076,668	4,838,467
<i>Committed to</i>					
Other Purposes	0	0	0	34,616	34,616
<i>Assigned to</i>					
Purchases on Order:					
Personal Services	45,880	0	0	0	45,880
Materials and Supplies	266,428	0	0	0	266,428
Contractual Services	1,021,208	0	0	0	1,021,208
Swimming Pools	223,239	0	0	0	223,239
Community Diversion Programs	15,149	0	0	0	15,149
Salaries and Benefits	206,886	0	0	0	206,886
2021 Operations	3,284,698	0	0	0	3,284,698
<i>Total Assigned</i>	5,063,488	0	0	0	5,063,488
<i>Unassigned</i>	2,777,247	0	0	0	2,777,247
<i>Total Fund Balances</i>	\$8,507,943	\$11,110	\$750,689	\$4,395,302	\$13,665,044

Note 6 - Deposits and Investments

The City is a charter City and has adopted an investment policy through City Ordinance.

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

City of South Euclid, Ohio
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Interim monies held by the City can be deposited or invested in the following securities:

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

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

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

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

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Investments

Investments are reported at fair value. As of December 31, 2020, the City had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>	<u>Percent of Total Investments</u>
Fair Value - Level One Inputs				
Money Market Mutual Fund	<u>\$480,456</u>	Less than one year	AAAm	7.85 %
Fair Value - Level Two Inputs				
Federal Home Loan				
Bank Bonds	498,950	Less than three years	AA+	8.15
Negotiable Certificates	<u>5,144,602</u>	Less than five years	N/A	84.00
Total Fair Value - Level Two Inputs	<u>5,643,552</u>			
Total Portfolio	<u><u>\$6,124,008</u></u>			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2020. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

Credit Risk The negotiable certificates of deposit are unrated. The City has no investment policy that would further limit its investment choices other than the limitations imposed by the Ohio Revised Code.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer.

Note 7 - Receivables

Receivables at December 31, 2020, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for special assessments and delinquent property taxes are expected to be collected within one year.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

At December 31, 2020 the total amount of delinquent special assessments was \$745,257. These delinquencies will be collected in the flood control, sewer rental and street lighting special revenue funds.

Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes were levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020, was \$16.25 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$311,427,980
Other Real Estate	58,628,320
Tangible Personal Property	
Public Utility	<u>13,244,200</u>
Total Assessed Values	<u><u>\$383,300,500</u></u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2020, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 3 percent. The City levies a 2.0 percent income tax on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside of the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and

City of South Euclid, Ohio
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For The Year Ended December 31, 2020

other individual taxpayers are also required to pay estimated tax quarterly and file a return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. Income tax revenue is credited entirely to the general fund.

Payments in Lieu of Taxes

According to State law, the City has established tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Gasoline and Excise Tax	\$550,618
Homestead and Rollback	342,219
Local Government	302,017
Cuyahoga County	111,510
Permissive Motor Vehicle License Tax	52,348
State and Local Highway Tax	42,148
State of Ohio	4,096
Total	<u><u>\$1,404,956</u></u>

Note 8 - Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. In October 1987, 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. 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. This coverage is paid from the general fund.

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 South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Worker's 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.

Note 9 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Beachwood, Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, University Heights and South Euclid. 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, 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 Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three-year increments.

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, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. 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 2020, the City of South Euclid paid \$219,049 in premiums from the general fund, which represents 9.48 percent of total NORMA premiums. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio, 44143.

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Deductions	Balance 12/31/2020
Governmental Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$517,278	\$0	\$0	\$517,278
Construction in Progress	25,144	611,566	0	636,710
Total Capital Assets not being Depreciated	\$542,422	\$611,566	\$0	\$1,153,988

(continued)

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

	Balance 12/31/2019	Additions	Deductions	Balance 12/31/2020
Governmental Activities (continued):				
Capital Assets being Depreciated:				
Buildings and Improvements	\$6,625,488	\$0	\$0	\$6,625,488
Equipment	2,941,368	87,566	0	3,028,934
Vehicles	5,137,822	266,317	(193,743)	5,210,396
Infrastructure:				
Streets	32,330,533	1,014,680	0	33,345,213
Bridges, Sewers and Culverts	34,740,766	1,608,077	0	36,348,843
Traffic Signals	317,118	0	0	317,118
Total Capital Assets being Depreciated	82,093,095	2,976,640	(193,743)	84,875,992
Less Accumulated Depreciation:				
Buildings and Improvements	(5,615,291)	(80,794)	0	(5,696,085)
Equipment	(1,686,328)	(174,598)	0	(1,860,926)
Vehicles	(3,263,966)	(357,498)	193,743	(3,427,721)
Infrastructure:				
Streets	(16,914,259)	(1,045,057)	0	(17,959,316)
Bridges, Sewers and Culverts	(7,154,780)	(615,707)	0	(7,770,487)
Traffic Signals	(23,152)	(6,258)	0	(29,410)
Total Accumulated Depreciation	(34,657,776)	(2,279,912) *	193,743	(36,743,945)
Total Capital Assets being Depreciated, Net	47,435,319	696,728	0	48,132,047
Governmental Activities Capital Assets, Net	\$47,977,741	\$1,308,294	\$0	\$49,286,035

*Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$1,410
Judicial System	4,432
Security of Persons and Property:	
Police	29,366
Fire	23,025
Leisure Time Activities	9,505
Building Department	5,093
Transportation	1,381,440
Basic Utility Services	760,990
Swimming Pools	64,651
Total Depreciation Expense	\$2,279,912

Note 11 – Assets Held for Resale

The City of South Euclid carries assets, such as land, which are held for resale.

As of December 31, 2020 the City has nine lots on Greenvale which are being held for resale.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
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Note 12 - Note Debt

The City's note activity, including amounts outstanding and interest rates, is as follows:

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020
2019 GO Bond Anticipation Note	\$500,000	\$0	\$500,000	\$0
2019 GO Bond Anticipation Note Premium	1,259	0	1,259	0
Total	\$501,259	\$0	\$501,259	\$0

In 2019, the City issued \$500,000 in general obligation bond anticipation notes at an interest rate of 1.97 percent. These notes matured on March 21, 2020. The notes were issued for real estate acquisition and urban redevelopment.

Note 13 - Long-Term Obligations

Original issue amounts and interest rates of the City's debt issues are as follows.

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Governmental Activities:			
General Obligation Bonds:			
2012 Real Estate Acquisition and Urban Redevelopment Bonds	2.0% to 5.0%	\$14,130,000	2042
2019 Various Purpose Refunding Bonds	1.9% to 3.6%	12,710,000	2042
Special Obligation Bonds from Direct Placement:			
2014 Housing Development Special Obligation Bonds	3.55%	1,840,000	2029
Ohio Air Quality Development Authority Loans from Direct Placement:			
OAQDA Series A	3.15%	386,146	2020
OAQDA Series B	5.45%	386,145	2026
Loans from Direct Borrowings:			
<i>OPWC Loans:</i>			
Liberty Road Bridge Replacement	0%	755,891	2002 to 2022
Whitehall Road Bridge Replacement	0%	188,822	2006 to 2025
Bexley Infrastructure	0%	1,247,424	2005 to 2024
Cedar Center	0%	260,039	2013 to 2033
Nine Mile Creek Rehabilitation	0%	341,315	2013 to 2033
Rainbow Creek	0%	132,399	2013 to 2033
Green Road	0%	543,801	2013 to 2033
Argonne Road	0%	692,186	2013 to 2043
South Green Traffic Signal	0%	80,499	N/A
<i>OWDA Loan:</i>			
Stormwater Improvement	3.25%	2,052,371	2027
Other Long-term Obligations:			
Police and Fire Pension	4.25%	391,010	1973 to 2035

A schedule of changes in bonds and other long-term obligations of the City during 2020 follows:

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

	Amount Outstanding 12/31/2019	Additions	Deletions	Amount Outstanding 12/31/2020	Amounts Due In One Year
Governmental Activities:					
General Obligation Bonds:					
2012 Real Estate Acquisition and Urban Redevelopment Bonds					
Current Interest Serial Bonds	\$1,010,000	\$0	(\$325,000)	\$685,000	\$340,000
Premium	87,913	0	(29,304)	58,609	0
Total 2012 Real Estate Acquisition and Urban Redevelopment Bonds	1,097,913	0	(354,304)	743,609	340,000
2019 Various Purpose					
Current Interest Serial Bonds	3,810,000	0	(75,000)	3,735,000	105,000
Term Bonds	8,900,000	0	0	8,900,000	0
Total 2019 Various Purpose General Obligation Refunding Bonds	12,710,000	0	(75,000)	12,635,000	105,000
<i>Total General Obligation Bonds</i>	13,807,913	0	(429,304)	13,378,609	445,000
Long-term Obligations from Direct Placements:					
<i>Special Obligation Bond:</i>					
2014 Housing Development	1,345,000	0	(115,000)	1,230,000	120,000
<i>Ohio Air Quality Development Authority Loans:</i>					
OAQDA 2011 Series A	24,478	0	(24,478)	0	0
OAQDA 2011 Series B	388,920	0	(29,731)	359,189	55,589
<i>Total OAQDA Loans</i>	413,398	0	(54,209)	359,189	55,589
<i>Total Long-term Obligations from Direct Placements</i>	1,758,398	0	(169,209)	1,589,189	175,589
Loans from Direct Borrowings:					
<i>OPWC Loans:</i>					
Liberty Road Bridge Replacement	113,382	0	(18,897)	94,485	56,691
Whitehall Road Bridge Replacement	61,367	0	(4,721)	56,646	14,162
Bexley Infrastructure	311,856	0	(31,186)	280,670	93,557
Cedar Center	178,459	0	(6,610)	171,849	19,829
Nine Mile Creek Rehabilitation	178,155	0	(6,599)	171,556	19,796
Rainbow Creek	74,547	0	(2,761)	71,786	8,283
Green Road	475,931	0	(17,627)	458,304	52,881
Argonne Road	573,810	0	(12,209)	561,601	36,626
South Green Traffic Signal	80,499	0	0	80,499	0
<i>Total OPWC Loans</i>	2,048,006	0	(100,610)	1,947,396	301,825
<i>OWDA Loan:</i>					
Stormwater Improvement	872,480	0	(112,915)	759,565	116,615
<i>Total Loans from Direct Borrowings</i>	\$2,920,486	\$0	(\$213,525)	\$2,706,961	\$418,440

(continued)

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

	Amount Outstanding 12/31/2019	Additions	Deletions	Amount Outstanding 12/31/2020	Amounts Due In One Year
Governmental Activities: (continued)					
Other Long-term Obligations					
Net Pension Liability					
OPERS	\$6,700,193	\$0	(\$1,928,758)	\$4,771,435	\$0
OP&F	22,183,369	0	(4,478,471)	17,704,898	0
Total Net Pension Liability	<u>28,883,562</u>	<u>0</u>	<u>(6,407,229)</u>	<u>22,476,333</u>	<u>0</u>
Net OPEB Liability					
OPERS	3,112,867	108,371	0	3,221,238	0
OP&F	2,474,856	121,201	0	2,596,057	0
Total Net Pension Liability	<u>5,587,723</u>	<u>229,572</u>	<u>0</u>	<u>5,817,295</u>	<u>0</u>
Police and Fire Pension	219,852	0	(10,315)	209,537	10,708
Capital Lease	256,187	0	(102,414)	153,773	61,548
Compensated Absences	1,076,335	183,587	(130,456)	1,129,466	133,824
Asset Retirement Obligation	70,000	0	0	70,000	0
<i>Total Other Long-term Obligations</i>	<u>36,093,659</u>	<u>413,159</u>	<u>(6,650,414)</u>	<u>29,856,404</u>	<u>206,080</u>
<i>Total Governmental Activities</i>	<u>\$54,580,456</u>	<u>\$413,159</u>	<u>(\$7,462,452)</u>	<u>\$47,531,163</u>	<u>\$1,245,109</u>

During 2019, the City issued \$12,710,000 in Various Purpose General Obligation for the purpose of partially refunding the 2012 Real Estate Acquisition and Urban Redevelopment General Obligation Bonds in order to take advantage of lower interest rates and for construction projects throughout the City. Various Purpose General Obligation bonds will be paid with revenues from the land acquisition capital projects fund.

In 2019, the City defeased previously issued various purpose bonds in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2020, \$11,605,000 of the defeased bonds are still outstanding.

During 2012, the City issued \$14,130,000 in Real Estate Acquisition and Urban Redevelopment General Obligation Bonds for construction projects throughout the City. The bonds were sold at a premium of \$1,449,127. These Real Estate Acquisition and Urban Redevelopment General Obligation bonds will be paid with revenues from the land acquisition capital projects fund.

During 2014, the City issued \$1,840,000 in Housing Development Special Obligation Bonds through direct placement for the purpose of bonding previously issued notes. These Housing Development Special Obligation bonds will be paid with non-tax revenues from the land acquisition capital projects fund. The bonds were issued with an interest rate of 3.55 percent for a fifteen year period with final maturity on December 1, 2029.

In 2011, the City issued OAQDA Series A loan and OAQDA Series B loan through direct placement in the amounts of \$386,146 and \$386,145, respectively. The OAQDA loans were issued for improvements to air quality facilities and will be paid with revenues from the general obligation bond retirement fund. The OAQDA Series A loan was issued with an interest rate of 3.15 percent for a ten year period with final maturity on May 1, 2020. The OAQDA Series B loan was issued with an interest rate of 5.45 percent for a sixteen year period with final maturity on May 1, 2026.

The City's outstanding OPWC loans from direct borrowings of \$1,947,396 related to governmental activities contain provisions that in an event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by

City of South Euclid, Ohio
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For The Year Ended December 31, 2020

law, the OPWC may require that such payment be taken from the City’s share of the City undivided local government fund, and (3) the outstanding amounts shall, at OPWC’s option, become immediately due and payable. OPWC loans will be paid with special assessment revenue from the flood control capital projects fund.

A line of credit has been established with the Ohio Public Works Commission in the amount of \$118,695 for South Green traffic signals. The balance of the loan at December 31, 2020 was \$80,499. Since the loan was not yet finalized, a repayment schedule is not included in the schedule of debt service payments. The loan will be paid from the flood control capital projects fund.

The City’s outstanding OWDA loan from direct borrowings of \$759,565 related to governmental activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid. The OWDA loan will be paid with special assessment revenue from the flood control capital projects fund.

The police and fire pension liability represents police and fire pension obligations and will be paid from taxes received in the general fund. The capital lease will be paid from resources received in the general capital improvements capital projects fund.

Compensated absences will be paid from the general fund and the street construction maintenance and repair and the sewer rental special revenue funds. The City pays obligations related to employee compensation from the fund benefitting from their service. The asset retirement obligation will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension/OPEB contributions are made from the following funds; the general fund and the street construction, maintenance and repair, sewer rental and safety forces levy special revenue funds. For additional information related to the net pension and net OPEB liability, see Notes 17 and 18.

As of December 31, 2020, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$40,246,553 and the unvoted legal debt margin was \$21,081,528. Principal and interest requirements to retire the City’s long-term obligations outstanding at December 31, 2020 are as follows:

	Governmental Activities						
	General Obligation Bonds		<i>From Direct Borrowings:</i>			Police and Fire Pension	
			OPWC Loans	OWDA Loans			
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2021	\$445,000	\$398,963	\$301,825	\$116,615	\$23,746	\$10,708	\$8,844
2022	455,000	388,871	201,216	120,435	19,925	11,220	8,330
2023	465,000	378,609	163,421	124,381	15,979	11,702	7,848
2024	475,000	368,177	163,420	128,457	11,904	12,205	7,346
2025	490,000	357,009	101,050	132,665	7,695	12,729	6,821
2026-2030	2,650,000	1,589,886	462,762	137,012	3,349	72,334	25,418
2031-2035	3,065,000	1,174,657	290,068	0	0	78,639	8,464
2036-2040	3,635,000	618,303	122,090	0	0	0	0
2041-2043	1,640,000	58,803	61,045	0	0	0	0
Total	\$13,320,000	\$5,333,278	\$1,866,897	\$759,565	\$82,598	\$209,537	\$73,071

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Governmental Activities (continued)				
<i>From Direct Placements</i>				
	OAQDA Loans		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$55,589	\$17,757	\$120,000	\$43,666
2022	56,867	14,689	125,000	39,405
2023	58,175	11,552	130,000	34,968
2024	59,513	8,342	130,000	30,352
2025	60,882	5,058	135,000	25,737
2026-2029	68,163	1,699	590,000	53,250
Total	<u>\$359,189</u>	<u>\$59,097</u>	<u>\$1,230,000</u>	<u>\$227,378</u>

Note 14 - Contingencies

Grants

The City received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2020.

Litigation

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

Note 15 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn two to six weeks of vacation per year, depending on length of service. Employees may use accumulated vacation after the completion of one year of service with the City.

Upon termination of service, an employee is entitled to receive payment for any unused vacation time plus accrued vacation time earned during the year but not yet credited to vacation leave balance. On January 1, an employee is given credit for, and may begin using, vacation time earned during the preceding year.

Employees earn sick leave at a rate of 4.6 hours per 80 hours of service. Sick leave accumulation is generally limited to 1,200 hours for all employees except for firefighters who can accumulate up to 2,000 hours. Upon retirement or death and at least ten years of service, non-union employees can be paid one third and union employees can be paid one half of the accrued sick leave accumulated, up to the maximum hours allowed.

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Note 16 – Capital Lease

In prior years, the City had entered into a capital lease obligation for an International front plow spreader, copiers and a John Deere Tractor. The leases meet the criteria for a capital lease and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book values as of December 31, 2020 are as follows:

	Amounts
Vehicles	\$312,717
Equipment	57,787
Total Capitalized	370,504
Less: Accumulated Depreciation	(157,664)
Current Book Value	\$212,840

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2020.

	Amounts
2021	\$67,221
2022	66,020
2023	30,760
Total Minimum Lease Payments	164,001
Less: Amount representing interest	(10,228)
Present Value of Minimum Lease Payments	\$153,773

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the general capital improvements capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 17 - Defined Benefit Pension Plans

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

Net Pension Liability (Asset) /Net OPEB Liability

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

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The net pension/OPEB liability (asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 18 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

City of South Euclid, Ohio
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of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2020 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2020, The City's contractually required contribution was \$458,200 for the traditional plan, \$13,479 for the combined plan and \$2,248 for the member-directed plan. Of these amounts, \$46,200 is reported as an intergovernmental payable for the traditional plan, \$1,357 for the combined plan, and \$224 for the member-directed plan.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 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:

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,262,522 for 2020. Of this amount, \$126,541 is reported as an intergovernmental payable.

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In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2020, the specific liability of the City was \$209,537 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0241400%	0.0209290%	0.2628191%	
Prior Measurement Date	<u>0.0244640%</u>	<u>0.0213410%</u>	<u>0.2717670%</u>	
Change in Proportionate Share	<u>-0.0003240%</u>	<u>-0.0004120%</u>	<u>-0.0089479%</u>	
Proportionate Share of the:				
Net Pension Liability	\$4,771,435	\$0	\$17,704,898	\$22,476,333
Net Pension Asset	0	(43,641)	0	(43,641)
Pension Expense	562,987	5,288	2,247,560	2,815,835

2020 pension expense for the member-directed defined contribution plan was \$578. The aggregate pension expense for all pension plans was \$2,816,413 for 2020.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

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	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$0	\$0	\$670,188	\$670,188
Changes of assumptions	254,851	4,500	434,609	693,960
Changes in proportion and differences between City contributions and proportionate share of contributions	0	2,443	99,156	101,599
City contributions subsequent to the measurement date	<u>458,200</u>	<u>13,479</u>	<u>1,262,522</u>	<u>1,734,201</u>
Total Deferred Outflows of Resources	<u>\$713,051</u>	<u>\$20,422</u>	<u>\$2,466,475</u>	<u>\$3,199,948</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$60,328	\$10,245	\$913,113	\$983,686
Net difference between projected and actual earnings on pension plan investments	951,794	5,661	855,289	1,812,744
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>151,423</u>	<u>0</u>	<u>669,085</u>	<u>820,508</u>
Total Deferred Inflows of Resources	<u>\$1,163,545</u>	<u>\$15,906</u>	<u>\$2,437,487</u>	<u>\$3,616,938</u>

\$1,734,201 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2021	(\$247,546)	(\$2,414)	(\$259,539)	(\$509,499)
2022	(322,637)	(2,307)	(152,607)	(477,551)
2023	39,414	(728)	195,394	234,080
2024	(377,925)	(2,802)	(896,730)	(1,277,457)
2025	0	(224)	(120,052)	(120,276)
Thereafter	<u>0</u>	<u>(488)</u>	<u>0</u>	<u>(488)</u>
Total	<u>(\$908,694)</u>	<u>(\$8,963)</u>	<u>(\$1,233,534)</u>	<u>(\$2,151,191)</u>

Actuarial Assumptions - OPERS

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

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Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

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

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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 arithmetic 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, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$7,869,640	\$4,771,435	\$1,986,239
OPERS Combined Plan	(26,371)	(43,641)	(56,090)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results

City of South Euclid, Ohio
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are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 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	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block 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, 2019, are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

Note: Assumptions are geometric.

* levered 2x

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 1.2 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 8.00 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 of 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$24,538,374	\$17,704,898	\$11,989,374

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Note 18 – Defined Benefit OPEB Plans

See Note 17 for a description of the net OPEB liability

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$642 for 2020. Of this amount, \$64 is reported as an intergovernmental payable.

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

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

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$29,927 for 2020. Of this amount, \$2,999 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0233210%	0.2628191%	
Prior Measurement Date	<u>0.0238760%</u>	<u>0.2717670%</u>	
Change in Proportionate Share	<u>-0.0005550%</u>	<u>-0.0089479%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$3,221,238	\$2,596,057	\$5,817,295
OPEB Expense	\$230,739	\$212,033	\$442,772

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$87	\$0	\$87
Changes of assumptions	509,888	1,517,755	2,027,643
City contributions subsequent to the measurement date	<u>642</u>	<u>29,927</u>	<u>30,569</u>
Total Deferred Outflows of Resources	<u>\$510,617</u>	<u>\$1,547,682</u>	<u>\$2,058,299</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$294,597	\$279,181	\$573,778
Changes of assumptions	0	553,258	553,258
Net difference between projected and actual earnings on OPEB plan investments	164,024	119,461	283,485
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>113,407</u>	<u>272,251</u>	<u>385,658</u>
Total Deferred Inflows of Resources	<u>\$572,028</u>	<u>\$1,224,151</u>	<u>\$1,796,179</u>

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\$30,569 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2021	(\$11,658)	\$47,369	\$35,711
2022	19,562	47,369	66,931
2023	132	71,873	72,005
2024	(70,089)	33,240	(36,849)
2025	0	51,868	51,868
Thereafter	0	41,885	41,885
Total	(\$62,053)	\$293,604	\$231,551

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. 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	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based

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on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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

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bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$4,215,504	\$3,221,238	\$2,425,151

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 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$3,126,180	\$3,221,238	\$3,315,080

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

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Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 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, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate 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 3.56 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 (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	<u>1% Decrease (2.56%)</u>	<u>Current Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
City's proportionate share of the net OPEB liability	\$3,218,942	\$2,596,057	\$2,078,481

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

Note 19 - Jointly Governed Organizations

Community Partnership on Aging

The Community Partnership on Aging (Partnership) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The partnership was formed between the Cities of South Euclid, Lyndhurst, Mayfield Heights and Highland Heights, for the purpose of coordinating among the cities all matters related to assistance and programs for the aged. Partnership revenues consist of contributions from the member cities and federal grants. The Partnership is controlled by the Council composed of the Mayors of the Cities of South Euclid, Lyndhurst, Mayfield Heights and Highland Heights, with the advice of a nine member commission. Continued existence of the Partnership is dependent on the City's continued participation; however the City has no explicit and measurable equity interest in the Partnership. The Partnership is not accumulating financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2020, the City contributed \$201,173, paid from the general fund, which represented 21.22 percent of Partnership revenues. To obtain a copy of the Partnership's financial statements, write to the Community Partnership on Aging, 1370 Victory Drive, South Euclid, Ohio, 44121.

Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 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 and natural gas. NOPEC is currently comprised of 240 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. 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 and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community 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 including budgeting, appropriating, contracting and designating management. 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 make any contributions to NOPEC during 2020. Financial information can be obtained by contacting James Honsberger, Chief Financial Officer, at 31360 Solon Road, Suite 33, Solon, Ohio 44139 or at their website at www.nopecinfo.org.

First Suburbs Consortium of Northeast Ohio Council of Governments

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

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and other members elected in annual elections. The Board oversees and manages the council including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. During 2020, the City of South Euclid contributed \$3,000 for membership to the Council. Financial information can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 165 Center Road, Bedford, Ohio 44146.

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Suburban Water Regional Council of Governments

The City is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Ohio Revised Code Chapter 167. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the City of Cleveland with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 78 communities.

SWRCOG's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The City did not make any payments to SWRCOG during 2020. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

Heights-Hillcrest Communications Center

On June 28, 2016, the City entered into an Agreement with three other political subdivisions, the Cities of Cleveland Heights, University Heights and Shaker Heights, to form a Council of Governments (COG), pursuant to the authority granted by Chapter 167 of the Ohio Revised Code and Article XVIII, Section 3 of the Ohio Constitution. The name of the Regional Council of Governments is the Heights-Hillcrest Communications Center ("HHCC"). The purpose of HHCC is to provide a joint Police, Fire and Emergency Medical Services ("EMS") communications system for the dispatch of Police, Fire and EMS services in and for the communities of all of the Members to this Agreement, which is operated and maintained by HHCC. On September 1, 2017, the HHCC GOG Agreement was amended to add the City of Richmond Heights as a member. The HHCC Dispatch Center is paid for by all five cities, based on formulae set forth in the Agreement. During 2020, the City of South Euclid contributed \$576,118. HHCC first began partial operation on November 1, 2017, with further increase in operation on December 13, 2017, and full operation for all five cities beginning on or about March 31, 2018.

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. In 2020, the City paid RITA \$366,301 for income tax collection services.

Note 20 - Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2020, consisted of an interfund receivable/payable of \$111,510 between the general fund and other governmental funds pending the receipt of grant money. The interfund balance will be repaid within one year.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

Transfers To	Transfers From General
Other Governmental Funds:	
Land Acquisition	\$1,300,000
General Capital Improvements	878,000
Road Improvement	109,276
Street Lighting	94,000
Sewer Rental	65,000
General Obligation Bond Retirement	62,000
<i>Total</i>	<i>\$2,508,276</i>

The general obligation bond retirement fund received a transfer from the general fund to help pay for debt. The street lighting and sewer rental special revenue funds received a transfer from the general fund to help pay expenditures. The land acquisition, general capital improvements and road improvement capital projects funds received transfers from the general fund to fund capital purchases.

Note 21 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$1,633,392
Flood Control	212,115
Other Governmental Funds	715,124
<i>Total</i>	<i>\$2,560,631</i>

Contractual Commitments

Significant contractual commitments at December 31, 2020 include a contract for \$418,847 with M Tech Company for a new vacall and a contract with Compass Minerals America for road salt in the amount of \$154,000.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Note 22 – Change in Accounting Principle and Restatement of Net Position

Change in Accounting Principles

For 2020, the City implemented the Governmental Accounting Standard Board’s (GASB) Statement No. 83, Certain Asset Retirement Obligations. GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

Restatement of Net Position

The implementation of GASB Statement No. 83 had the following effect on net position as of December 31, 2019:

	Governmental
	<u>Activities</u>
Net Position December 31, 2019	\$21,574,459
Adjustments:	
GASB Statement 83	<u>(70,000)</u>
Restated Net Position December 31, 2019	<u><u>\$21,504,459</u></u>

Note 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During 2020, the City received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Of the amounts received, \$50,000 was sub-granted to other organizations. This amount is reflected as a general government expenditure in the Coronavirus Relief special revenue fund on the accompanying financial statements.

Note 24 – Subsequent Event

On March 31, 2021, the City issued various purpose notes in the amount of \$1,638,000 at a rate of .875 percent to pay costs of street and related bridge improvements as part of the South Green Multi-Modal Project.

City of South Euclid, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Seven Years (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.0241400%	0.0244640%	0.0264780%	0.0277760%
City's Proportionate Share of the Net Pension Liability	\$4,771,435	\$6,700,193	\$4,153,886	\$6,307,456
City's Covered Payroll	\$3,396,407	\$3,303,364	\$3,499,038	\$3,600,550
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.83%	118.72%	175.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

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

See accompanying notes to the required supplementary information.

2016	2015	2014
0.0279860%	0.0284490%	0.0284490%
\$4,847,527	\$3,431,267	\$3,353,766
\$3,473,236	\$3,487,850	\$3,459,745
139.57%	98.38%	96.94%
81.08%	86.45%	86.36%

City of South Euclid, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Three Years (1)

	2020	2019	2018
City's Proportion of the Net Pension Asset	0.0209290%	0.0213410%	0.0218760%
City's Proportionate Share of the Net Pension Asset	\$43,641	\$23,864	\$29,782
City's Covered Payroll	\$93,164	\$91,271	\$89,592
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-46.84%	-26.15%	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	145.28%	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information.

City of South Euclid, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0233210%	0.0238760%	0.0257100%	0.0269200%
City's Proportionate Share of the Net OPEB Liability	\$3,221,238	\$3,112,867	\$2,791,917	\$2,719,011
City's Covered Payroll	\$3,523,346	\$3,462,210	\$3,641,155	\$3,600,550
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.43%	89.91%	76.68%	75.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information.

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

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.2628191%	0.2717670%	0.2741820%	0.2781360%
City's Proportionate Share of the Net Pension Liability	\$17,704,898	\$22,183,369	\$16,827,786	\$17,616,856
City's Covered Payroll	\$6,534,593	\$6,070,974	\$5,992,791	\$5,871,187
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	270.94%	365.40%	280.80%	300.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

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

See accompanying notes to the required supplementary information.

2016	2015	2014
0.2730100%	0.2726124%	0.2726124%
\$17,562,924	\$14,122,459	\$13,277,079
\$5,562,718	\$5,435,025	\$5,514,323
315.73%	259.84%	240.77%
66.77%	71.71%	73.00%

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

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.2628191%	0.2717670%	0.2741820%	0.2781360%
City's Proportionate Share of the Net OPEB Liability	\$2,596,057	\$2,474,856	\$15,534,767	\$13,202,490
City's Covered Payroll	\$6,534,593	\$6,070,974	\$5,992,791	\$5,871,187
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.73%	40.77%	259.22%	224.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information.

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City of South Euclid, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Eight Years (1)

	2020	2019	2018	2017
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$458,200	\$475,497	\$462,471	\$454,875
Contributions in Relation to the Contractually Required Contribution	<u>(458,200)</u>	<u>(475,497)</u>	<u>(462,471)</u>	<u>(454,875)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,272,857	\$3,396,407	\$3,303,364	\$3,499,038
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$13,479	\$13,043	\$12,778	\$11,647
Contributions in Relation to the Contractually Required Contribution	<u>(13,479)</u>	<u>(13,043)</u>	<u>(12,778)</u>	<u>(11,647)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$96,279	\$93,164	\$91,271	\$89,592
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net OPEB Liability - OPEB Plan (3)				
Contractually Required Contribution	\$642	\$1,351	\$2,703	\$37,987
Contributions in Relation to the Contractually Required Contribution	<u>(642)</u>	<u>(1,351)</u>	<u>(2,703)</u>	<u>(37,987)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$3,385,186	\$3,523,346	\$3,462,210	\$3,641,155
OPEB Contributions as a Percentage of Covered Payroll	<u>0.02%</u>	<u>0.04%</u>	<u>0.08%</u>	<u>1.04%</u>

(1) Information prior to 2013 is not available.

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

(3) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

2016	2015	2014	2013
\$432,066	\$416,788	\$418,542	\$449,767
<u>(432,066)</u>	<u>(416,788)</u>	<u>(418,542)</u>	<u>(449,767)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,600,550	\$3,473,236	\$3,487,850	\$3,459,745
<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$11,061	\$7,829	\$6,389	\$6,692
<u>(11,061)</u>	<u>(7,829)</u>	<u>(6,389)</u>	<u>(6,692)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$92,175	\$65,242	\$53,242	\$51,477
<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$72,011			
<u>(72,011)</u>			
<u>\$0</u>			
\$3,600,550			
<u>2.00%</u>			

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$1,262,522	\$1,378,898	\$1,283,505	\$1,265,037
Contributions in Relation to the Contractually Required Contribution	<u>(1,262,522)</u>	<u>(1,378,898)</u>	<u>(1,283,505)</u>	<u>(1,265,037)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$5,985,337	\$6,534,593	\$6,070,974	\$5,992,791
Pension Contributions as a Percentage of Covered Payroll	<u>21.09%</u>	<u>21.10%</u>	<u>21.14%</u>	<u>21.11%</u>
Net OPEB Liability				
Contractually Required Contribution	\$29,927	\$32,673	\$30,355	\$29,964
Contributions in Relation to the Contractually Required Contribution	<u>(29,927)</u>	<u>(32,673)</u>	<u>(30,355)</u>	<u>(29,964)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.59%</u>	<u>21.60%</u>	<u>21.64%</u>	<u>21.61%</u>

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

See accompanying notes to the required supplementary information.

2016	2015	2014	2013	2012	2011
\$1,239,217	\$1,171,179	\$1,140,865	\$989,937	\$828,048	\$790,312
<u>(1,239,217)</u>	<u>(1,171,179)</u>	<u>(1,140,865)</u>	<u>(989,937)</u>	<u>(828,048)</u>	<u>(790,312)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,871,187	\$5,562,718	\$5,435,025	\$5,514,323	\$5,598,502	\$5,341,324
<u>21.11%</u>	<u>21.05%</u>	<u>20.99%</u>	<u>17.95%</u>	<u>14.79%</u>	<u>14.80%</u>
\$29,355	\$27,814	\$27,175	\$199,434	\$377,898	\$360,540
<u>(29,355)</u>	<u>(27,814)</u>	<u>(27,175)</u>	<u>(199,434)</u>	<u>(377,898)</u>	<u>(360,540)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.61%</u>	<u>21.55%</u>	<u>21.49%</u>	<u>21.57%</u>	<u>21.54%</u>	<u>21.55%</u>

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

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

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

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

Changes in Assumptions – OPERS Pension – Combined Plan

For 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OP&F Pension

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

	Beginning in 2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2020	10.0 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Single Discount Rate:	
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms – OP&F OPEB

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

**CITY OF SOUTH EUCLID
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Number	Total Federal Expenditures
<u>U.S. Department of the Treasury</u>			
<i>Passed through Cuyahoga County, Ohio</i>			
Coronavirus Relief Fund	21.019	N/A	\$ 1,889,985
Total U.S. Department of the Treasury			<u>1,889,985</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
Assistance to Firefighters Grant	97.044	N/A	49,649
Total U.S. Department of Homeland Security			<u>49,649</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,939,634</u>

See Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of South Euclid, Ohio, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of South Euclid, Ohio, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of South Euclid, Ohio.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The City of South Euclid, Ohio, has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council
City of South Euclid
South Euclid, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

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 South Euclid, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 14, 2022, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City.

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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a material weakness as item **2020-001**.

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.



James G. Zupka, CPA, Inc.
Certified Public Accountants

February 14, 2022

JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of City Council
City of South Euclid
South Euclid, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of South Euclid, Cuyahoga County, Ohio's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of South Euclid complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

February 14, 2022

**CITY OF SOUTH EUCLID
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 UNIFORM GUIDANCE
 FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

2020(i)	Type of Financial Statement Opinion	Unmodified
2020(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2020(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2020(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2020(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2020(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2020(v)	Type of Major Programs' Compliance Opinions	Unmodified
2020(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2020(vii)	Major Programs (list): Coronavirus Relief Fund - CFDA #21.019	
2020(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2020(ix)	Low Risk Auditee?	No

**CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
UNIFORM GUIDANCE
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)**

2. **FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding No. 2020-001 – Material Weakness – Municipal Court Bank Reconciliations

Condition/Criteria

Sound accounting practices require that, when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft, and fraud to occur without timely detection.

Cause/Effect

The Clerk of Courts is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis for the City’s Municipal Court. Monthly bank to book reconciliations were not prepared or reviewed each month of 2020 for the Court’s bank accounts. Failure to reconcile monthly increases in the possibility that the Court will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance-related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

Recommendation

We recommend that the Clerk of Courts record all transactions and prepare monthly bank to book cash reconciliations for the Court, which include all bank accounts and all fund balances. Variances should be investigated, documented, and corrected. We also recommend that the Judge review the monthly cash reconciliations, including the related support (such as reconciling items), and document the reviews.

City’s Response

We did not receive a response from Officials to this finding.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The prior issued audit report, as of December 31, 2019, included a material weakness.

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2019-001	Court Bank Reconciliations	Not Corrected	Repeated as Finding 2020-001

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 SOUTH EUCLID

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 4/5/2022

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