

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

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

Zupka & Associates
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 Zupka & Associates, for the audit period January 1, 2021 through December 31, 2021. 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

October 14, 2022

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**CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

City of South Euclid
Cuyahoga County
1349 South Green Road
South Euclid, OH 44121

To the Members of City Council:

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Euclid, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Euclid as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter

As discussed in Note 22 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 this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 September 15, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Zupka & Associates
Certified Public Accountants

September 15, 2022

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City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
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, 2021. 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 2021 are as follows:

- During 2021, the City of South Euclid saw a decrease in property tax revenue.
- The increase in assets, liabilities and deferred inflows of the City coupled with the decrease in deferred outflows at December 31, 2021 resulted in the City's increase in net position from 2020 to 2021. 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, 2021, 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, 2021
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 energy efficiency capital projects 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 2021?" 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, 2021
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 2021 compared to 2020.

Table 1
Net Position

	Governmental Activities		
	2021	2020	Change
Assets			
Current and Other Assets	\$39,718,813	\$33,310,427	\$6,408,386
Net Pension Asset	63,061	43,641	19,420
Net OPEB Asset	398,788	0	398,788
Capital Assets, Net	51,487,699	49,286,035	2,201,664
Total Assets	91,668,361	82,640,103	9,028,258
Deferred Outflows of Resources			
Pension	3,222,915	3,199,948	22,967
OPEB	1,797,196	2,058,299	(261,103)
Total Deferred Outflows of Resources	5,020,111	5,258,247	(238,136)
Liabilities			
Current Liabilities	3,553,912	2,333,727	(1,220,185)
Long-Term Liabilities:			
Due Within One Year	1,499,949	1,245,109	(254,840)
Due in More Than One Year			
Net Pension Liability	21,502,296	22,476,333	974,037
Net OPEB Liability	2,807,114	5,817,295	3,010,181
Other Amounts	24,032,944	17,992,426	(6,040,518)
Total Liabilities	\$53,396,215	\$49,864,890	(\$3,531,325)

(Continued)

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 1
Net Position (Continued)

	Governmental Activities		
	2021	2020	Change
Deferred Inflows of Resources			
Property Taxes	\$6,093,695	\$5,594,204	(\$499,491)
Payments in Lieu of Taxes	1,020,994	375,000	(645,994)
Gain on Refunding	56,931	59,777	2,846
Pension	3,727,629	3,616,938	(110,691)
OPEB	2,551,126	1,796,179	(754,947)
Total Deferred Inflows of Resources	<u>13,450,375</u>	<u>11,442,098</u>	<u>(2,008,277)</u>
Net Position			
Net Investment in Capital Assets	31,421,378	32,686,335	(1,264,957)
Restricted for:			
Capital Projects	8,058,684	5,493,093	2,565,591
Law Enforcement	1,124,349	1,004,544	119,805
Street Maintenance	1,929,762	1,783,444	146,318
Street Lighting	1,033,553	884,097	149,456
Sewer Maintenance	611,263	553,510	57,753
Community Development	21,934	21,934	0
Other Purposes	1,660,419	1,631,148	29,271
Unrestricted (Deficit)	<u>(16,019,460)</u>	<u>(17,466,743)</u>	<u>1,447,283</u>
<i>Total Net Position</i>	<u><u>\$29,841,882</u></u>	<u><u>\$26,591,362</u></u>	<u><u>\$3,250,520</u></u>

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2021. 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, 2021
Unaudited

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

Total net position increased from 2020 to 2021 due to increases in current and other assets offset by a decrease in deferred outflows of resources and an increase in liabilities and 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 increased due to increases to current liabilities such as accounts, contracts, intergovernmental, vacation benefits, and retainage payable which were slightly offset by the continued pay down of long-term debt and decrease in net pension and OPEB liabilities.

Table 2 shows the changes in net position for the years ended December 31, 2021 and 2020 and corresponds to the Statement of Activities on page 17.

Table 2
Changes in Net Position

	Governmental Activities		
	2021	2020	Change
Revenues			
Program Revenues:			
Charges for Services and			
Operating Assessments	\$5,254,021	\$5,372,082	(\$118,061)
Operating Grants and Contributions	2,322,999	3,427,719	(1,104,720)
Capital Grants	1,119,107	717,782	401,325
Total Program Revenues	8,696,127	9,517,583	(821,456)
General Revenues:			
Property Taxes	6,612,062	6,687,032	(74,970)
Income Taxes	13,141,537	13,048,246	93,291
Grants and Entitlements	2,167,838	2,207,141	(39,303)
Payments in Lieu of Taxes	1,020,994	144,372	876,622
Unrestricted Contributions	12,000	22,500	(10,500)
Interest	(11,019)	180,922	(191,941)
Gain on Sale of Capital Assets	7,354	10,126	(2,772)
Miscellaneous	785,613	716,652	68,961
Total General Revenues	23,736,379	23,016,991	719,388
<i>Total Revenues</i>	\$32,432,506	\$32,534,574	(\$102,068)

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 2
Changes in Net Position (Continued)

	Governmental Activities		
	2021	2020	Change
Program Expenses			
General Government:			
Legislative and Executive	\$4,116,650	\$4,355,482	\$238,832
Judicial System	490,955	783,777	292,822
Security of Persons and Property:			
Police	7,311,750	6,950,414	(361,336)
Fire	5,340,451	5,666,039	325,588
Public Health Services	44,429	39,453	(4,976)
Leisure Time Activities	199,867	308,004	108,137
Community Development	385,343	777,876	392,533
Building Department	919,004	1,236,717	317,713
Transportation	5,143,778	3,551,529	(1,592,249)
Basic Utility Services	4,355,519	3,191,724	(1,163,795)
Swimming Pools	249,150	111,798	(137,352)
Interest and Fiscal Charges	625,090	474,858	(150,232)
Total Program Expenses	29,181,986	27,447,671	(1,734,315)
<i>Change in Net Position</i>	<i>3,250,520</i>	<i>5,086,903</i>	<i>(1,836,383)</i>
<i>Net Position Beginning of Year</i>	<i>26,591,362</i>	<i>21,504,459</i>	<i>5,086,903</i>
<i>Net Position End of Year</i>	<i>\$29,841,882</i>	<i>\$26,591,362</i>	<i>\$3,250,520</i>

Program revenues decreased in 2021 mainly due to a decrease in operating grants and contributions due to a slowing down of intergovernmental revenue for coronavirus relief. There was an increase in capital grants as more intergovernmental revenues were received to use for capital projects. General revenues increased mainly due to increases in income taxes and payments in lieu of taxes being received. Program expenses increased in 2021 mainly due to increases in transportation and basic utility services expenditures.

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 2021. The City remains committed to collecting all taxes due to it and during 2022 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 2021, property tax revenue remained the City's second largest source of revenues. Revenues from grants and entitlements represented approximately 9.1 percent of total general revenues. These funds are received from the State of Ohio in the form of local government assistance.

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.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

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 an increase in total expenditures from 2020. Revenues increased due to increases in income taxes, special assessments, fines and forfeitures, payments in lieu of taxes and other revenues collected. Expenditures increased due to increases in overall expenditures with the largest increase in capital expenditures. The general fund experienced increases in revenues from 2020 in income taxes and fines and forfeitures revenues. The City experienced increases in general fund expenditures compared to 2020 levels. The increases in expenditures can be attributed to a general increase in operating expenditures. General fund expenditures and other financing uses exceeded revenues and other financing sources, resulting in the general fund balance decreasing from 2020.

During 2021, the energy efficiency capital projects fund balance increased due to the capital lease issued and transfers in outpacing capital and debt 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 2021, 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, 2021
Unaudited

Capital Assets and Long-Term Obligations

Capital Assets

Table 3 shows 2021 balances of capital assets as compared to 2020.

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

	Governmental Activities	
	2021	2020
Land	\$517,278	\$517,278
Construction in Progress	1,278,930	636,710
Buildings and Improvements	873,851	929,403
Equipment	1,192,265	1,168,008
Vehicles	1,867,099	1,782,675
Infrastructure		
Streets	16,125,495	15,385,897
Bridges, Sewers and Culverts	29,255,681	28,578,356
Traffic Signals	377,100	287,708
Total Capital Assets	\$51,487,699	\$49,286,035

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, 2021
Unaudited

Long-Term Obligations

Table 4 summarizes the long-term obligations outstanding.

Table 4
Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2021	2020
General Obligation Bonds	\$12,904,305	\$13,378,609
Special Obligation Bonds	1,110,000	1,230,000
OPWC Loans	1,544,965	1,947,396
OWDA Loans	642,950	759,565
OAQDA Loans	297,720	359,189
Bond Anticipation Note	1,640,756	0
Net Pension Liability	21,502,296	22,476,333
Net OPEB Liability	2,807,114	5,817,295
Police and Fire Pension Liability	198,829	209,537
Capital Lease	5,935,862	153,773
Asset Retirement Obligation	70,000	70,000
Compensated Absences	1,187,506	1,129,466
Total	<u>\$49,842,303</u>	<u>\$47,531,163</u>

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 \$40,270,208 with an unvoted debt margin of \$21,105,183 on December 31, 2021. For more information about the City's long-term obligations, see Note 12 to the basic financial statements.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
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 2021. 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 the Finance Department, 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, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$16,746,375
Cash and Cash Equivalents	
In Segregated Accounts	22,477
With Escrow Agents	1,525,753
Accounts Receivable	18,817
Accrued Interest Receivable	13,523
Intergovernmental Receivable	1,371,540
Prepaid Items	307,193
Materials and Supplies Inventory	358,441
Income Taxes Receivable	5,952,445
Property Taxes Receivable	6,807,315
Special Assessments Receivable	3,847,040
Payments in Lieu of Taxes Receivable	1,020,994
Assets Held for Resale	62,800
Economic Development Properties	1,664,100
Net Pension Asset	63,061
Net OPEB Asset	398,788
Nondepreciable Capital Assets	1,796,208
Depreciable Capital Assets	49,691,491
	91,668,361
<i>Total Assets</i>	
Deferred Outflows of Resources	
Pension	3,222,915
OPEB	1,797,196
	5,020,111
<i>Total Deferred Outflows of Resources</i>	
Liabilities	
Accounts Payable	871,460
Accrued Wages	192,602
Contracts Payable	225,815
Intergovernmental Payable	224,533
Retainage Payable	12,831
Accrued Interest Payable	63,834
Vacation Benefits Payable	781,473
Deposits Held Payable	837,836
Unearned Revenue	343,528
Long-Term Liabilities:	
Due Within One Year	1,499,949
Due In More Than One Year	
Net Pension Liability (See Note 16)	21,502,296
Net OPEB Liability (See Note 17)	2,807,114
Other Amounts	24,032,944
	53,396,215
<i>Total Liabilities</i>	
Deferred Inflows of Resources	
Property Taxes	6,093,695
Payments in Lieu of Taxes	1,020,994
Gain on Refunding	56,931
Pension	3,727,629
OPEB	2,551,126
	13,450,375
<i>Total Deferred Inflows of Resources</i>	
Net Position	
Net Investment in Capital Assets	31,421,378
Restricted for:	
Capital Projects	8,058,684
Law Enforcement	1,124,349
Street Maintenance	1,929,762
Street Lighting	1,033,553
Sewer Maintenance	611,263
Community Development	21,934
Other Purposes	1,660,419
Unrestricted (Deficit)	(16,019,460)
	\$29,841,882
<i>Total Net Position</i>	

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Activities
For the Year Ended December 31, 2021

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Operating Assessments	Operating Grants and Contributions		
Governmental Activities:					
General Government:					
Legislative and Executive	\$4,116,650	\$276,838	\$781,137	\$0	(\$3,058,675)
Judicial System	490,955	328,558	0	0	(162,397)
Security of Persons and Property:					
Police	7,311,750	545,759	210,179	0	(6,555,812)
Fire	5,340,451	357,316	45,118	0	(4,938,017)
Public Health Services	44,429	228,925	0	0	184,496
Leisure Time Activities	199,867	26,535	0	0	(173,332)
Community Development	385,343	43,723	82,000	0	(259,620)
Building Department	919,004	120,189	0	0	(798,815)
Transportation	5,143,778	204,940	1,204,565	1,119,107	(2,615,166)
Basic Utility Services	4,355,519	3,101,538	0	0	(1,253,981)
Swimming Pools	249,150	19,700	0	0	(229,450)
Interest and Fiscal Charges	625,090	0	0	0	(625,090)
<i>Total Governmental Activities</i>	<u>\$29,181,986</u>	<u>\$5,254,021</u>	<u>\$2,322,999</u>	<u>\$1,119,107</u>	<u>(20,485,859)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					3,689,105
Capital Projects					765,301
Other Purposes					2,157,656
Income Taxes Levied for General Purposes					13,141,537
Grants and Entitlements not Restricted to Specific Programs					2,167,838
Payments in Lieu of Taxes					1,020,994
Unrestricted Contributions					12,000
Investment Earnings					(11,019)
Gain on Sale of Capital Assets					7,354
Miscellaneous					785,613
<i>Total General Revenues</i>					<u>23,736,379</u>
Change in Net Position					3,250,520
<i>Net Position Beginning of Year</i>					<u>26,591,362</u>
<i>Net Position End of Year</i>					<u>\$29,841,882</u>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio

Balance Sheet

Governmental Funds

December 31, 2021

	General	Energy Efficiency	Flood Control	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,331,006	\$0	\$1,207,339	\$7,154,021	\$15,692,366
Cash and Cash Equivalents					
In Segregated Accounts	17,558	0	0	4,919	22,477
With Escrow Agents	0	1,525,753	0	0	1,525,753
Materials and Supplies Inventory	110,039	0	0	248,402	358,441
Accrued Interest Receivable	13,523	0	0	0	13,523
Accounts Receivable	18,717	0	0	100	18,817
Interfund Receivable	62,129	0	0	0	62,129
Intergovernmental Receivable	663,043	0	0	708,497	1,371,540
Prepaid Items	295,667	0	0	11,526	307,193
Income Taxes Receivable	5,952,445	0	0	0	5,952,445
Property Taxes Receivable	3,829,005	0	0	2,978,310	6,807,315
Payments in Lieu of Taxes Receivable	0	0	0	1,020,994	1,020,994
Restricted Cash and Cash Equivalents	1,054,009	0	0	0	1,054,009
Assets Held for Resale	0	0	0	62,800	62,800
Special Assessments Receivable	115,269	0	2,675,116	1,056,655	3,847,040
<i>Total Assets</i>	<u>\$19,462,410</u>	<u>\$1,525,753</u>	<u>\$3,882,455</u>	<u>\$13,246,224</u>	<u>\$38,116,842</u>
Liabilities					
Accounts Payable	\$688,733	\$0	\$15,200	\$167,527	\$871,460
Accrued Wages	178,314	0	0	14,288	192,602
Contracts Payable	0	0	95,213	130,602	225,815
Retainage Payable	0	0	0	12,831	12,831
Intergovernmental Payable	187,194	0	0	37,339	224,533
Deposits Held Payable from Restricted Assets	837,836	0	0	0	837,836
Interfund Payable	0	0	0	62,129	62,129
Unearned Revenue	0	0	0	343,528	343,528
<i>Total Liabilities</i>	<u>1,892,077</u>	<u>0</u>	<u>110,413</u>	<u>768,244</u>	<u>2,770,734</u>
Deferred Inflows of Resources					
Property Taxes	3,427,606	0	0	2,666,089	6,093,695
Payments in Lieu of Taxes	0	0	0	1,020,994	1,020,994
Unavailable Revenue	6,154,397	0	2,675,116	1,985,631	10,815,144
<i>Total Deferred Inflows of Resources</i>	<u>9,582,003</u>	<u>0</u>	<u>2,675,116</u>	<u>5,672,714</u>	<u>17,929,833</u>
Fund Balances					
Nonspendable	621,879	0	0	259,928	881,807
Restricted	0	1,525,753	1,096,926	6,572,435	9,195,114
Committed	0	0	0	35,032	35,032
Assigned	6,598,541	0	0	0	6,598,541
Unassigned (Deficit)	767,910	0	0	(62,129)	705,781
<i>Total Fund Balances</i>	<u>7,988,330</u>	<u>1,525,753</u>	<u>1,096,926</u>	<u>6,805,266</u>	<u>17,416,275</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$19,462,410</u>	<u>\$1,525,753</u>	<u>\$3,882,455</u>	<u>\$13,246,224</u>	<u>\$38,116,842</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, 2021*

Total Governmental Fund Balances		\$17,416,275
 <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.		51,487,699
Economic development properties are not financial resources and therefore are not reported in the funds.		1,664,100
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	713,620	
Income Taxes	5,048,929	
Special Assessments	3,847,040	
Intergovernmental	1,205,555	
Total		10,815,144
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(63,834)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(781,473)
The net pension/OPEB asset and net pension/OPEB liability is not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds:		
Net Pension Asset	63,061	
Net OPEB Asset	398,788	
Deferred Outflows - Pension	3,222,915	
Deferred Inflows - Pension	(3,727,629)	
Net Pension Liability	(21,502,296)	
Deferred Outflows - OPEB	1,797,196	
Net OPEB Liability	(2,807,114)	
Deferred Inflows - OPEB	(2,551,126)	
Total		(25,106,205)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(12,904,305)	
Special Obligation Bonds Payable	(1,110,000)	
OPWC Loans Payable	(1,544,965)	
Notes Payable	(1,640,756)	
OWDA Loans Payable	(642,950)	
OAQDA Loans Payable	(297,720)	
Police and Fire Pension Loan Payable	(198,829)	
Capital Leases Payable	(5,935,862)	
Asset Retirement Obligation	(70,000)	
Compensated Absences	(1,187,506)	
Deferred Gain on Refunding	(56,931)	
Total		(25,589,824)
<i>Net Position of Governmental Activities</i>		\$29,841,882

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, 2021

	General	Energy Efficiency	Flood Control	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,634,109	\$0	\$0	\$2,916,000	\$6,550,109
Income Taxes	12,949,254	0	0	0	12,949,254
Special Assessments	54,168	0	2,057,387	826,875	2,938,430
Intergovernmental	2,066,145	0	0	3,400,190	5,466,335
Interest	(12,198)	1,179	0	0	(11,019)
Fees, Licenses and Permits	683,011	0	0	0	683,011
Fines and Forfeitures	586,832	0	0	289,833	876,665
Rentals	3,464	0	0	910	4,374
Charges for Services	347,151	0	0	355,811	702,962
Contributions and Donations	12,000	0	0	416	12,416
Payments in Lieu of Taxes	0	0	0	1,020,994	1,020,994
Other	563,539	0	190,876	31,198	785,613
<i>Total Revenues</i>	<u>20,887,475</u>	<u>1,179</u>	<u>2,248,263</u>	<u>8,842,227</u>	<u>31,979,144</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	3,175,901	0	0	782,706	3,958,607
Judicial System	724,320	0	0	128,385	852,705
Security of Persons and Property:					
Police	5,616,996	0	0	1,303,295	6,920,291
Fire	3,963,147	0	0	1,188,656	5,151,803
Public Health Services	44,429	0	0	0	44,429
Leisure Time Activities	287,583	0	0	0	287,583
Community Development	494,906	0	0	0	494,906
Building Department	1,345,746	0	0	0	1,345,746
Transportation	1,266,478	0	0	1,176,947	2,443,425
Basic Utility Services	1,711,560	0	0	809,841	2,521,401
Swimming Pools	185,265	0	0	0	185,265
Capital Outlay	0	4,736,467	1,401,599	3,529,780	9,667,846
Debt Service:					
Principal Retirement	10,708	417,403	478,508	728,555	1,635,174
Interest and Fiscal Charges	8,844	153,395	21,919	460,232	644,390
<i>Total Expenditures</i>	<u>18,835,883</u>	<u>5,307,265</u>	<u>1,902,026</u>	<u>10,108,397</u>	<u>36,153,571</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,051,592</u>	<u>(5,306,086)</u>	<u>346,237</u>	<u>(1,266,170)</u>	<u>(4,174,427)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	15,594	0	0	0	15,594
Capital Lease Issued	0	6,261,040	0	0	6,261,040
Bond Anticipation Note Issued	0	0	0	1,638,000	1,638,000
Premium on Bond Anticipation Note Issued	0	0	0	11,024	11,024
Transfers In	0	570,799	0	2,016,000	2,586,799
Transfers Out	(2,586,799)	0	0	0	(2,586,799)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,571,205)</u>	<u>6,831,839</u>	<u>0</u>	<u>3,665,024</u>	<u>7,925,658</u>
<i>Net Change in Fund Balances</i>	<u>(519,613)</u>	<u>1,525,753</u>	<u>346,237</u>	<u>2,398,854</u>	<u>3,751,231</u>
<i>Fund Balances Beginning of Year</i>	<u>8,507,943</u>	<u>0</u>	<u>750,689</u>	<u>4,406,412</u>	<u>13,665,044</u>
<i>Fund Balances End of Year</i>	<u>\$7,988,330</u>	<u>\$1,525,753</u>	<u>\$1,096,926</u>	<u>\$6,805,266</u>	<u>\$17,416,275</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, 2021*

Net Change in Fund Balances - Total Governmental Funds	\$3,751,231
 <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	4,565,617
Economic Development Properties Addition	82,000
Current Year Depreciation	<u>(2,355,719)</u>
Total	2,291,898
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	(89,700)
Capital Assets	<u>(8,234)</u>
Total	(97,934)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	61,953
Income Taxes	192,283
Intergovernmental	61,193
Special Assessments	<u>48,579</u>
Total	364,008
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	2,143,534
OPEB	<u>2,596,656</u>
Total	4,740,190
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:	
Pension	(1,237,801)
OPEB	<u>(203,737)</u>
Total	(1,441,538)
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	1,635,174
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	(21,118)
Amortization of Deferred Gain on Refunding	2,846
Amortization of Premium	<u>37,572</u>
Total	19,300
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	(58,040)
Vacation Benefits	<u>(43,705)</u>
Total	(101,745)
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.	
Bond Anticipation Notes Issued	(1,638,000)
Premium on BAN Notes Issued	(11,024)
Inception of Capital Lease	<u>(6,261,040)</u>
Total	<u>(7,910,064)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$3,250,520</u></u>

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, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$3,706,149	\$4,083,519	\$3,634,109	(\$449,410)
Income Taxes	12,022,017	11,499,466	12,886,499	1,387,033
Special Assessments	50,534	48,338	54,168	5,830
Intergovernmental	1,915,463	1,832,206	2,053,201	220,995
Interest	1,272	1,217	1,364	147
Fees, Licenses and Permits	650,167	621,906	696,919	75,013
Fines and Forfeitures	538,811	515,391	577,556	62,165
Rentals	3,232	3,091	3,464	373
Charges for Services	309,638	293,310	328,688	35,378
Contributions and Donations	10,716	4,725	12,000	7,275
Other	0	0	8,626	8,626
<i>Total Revenues</i>	<u>19,207,999</u>	<u>18,903,169</u>	<u>20,256,594</u>	<u>1,353,425</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,936,398	3,991,735	3,232,459	759,276
Judicial System	810,018	810,018	720,226	89,792
Security of Persons and Property:				
Police	6,378,567	6,289,068	5,437,513	851,555
Fire	4,734,659	4,795,996	4,142,733	653,263
Public Health Services	118,118	118,118	92,844	25,274
Leisure Time Activities	423,635	409,635	313,058	96,577
Community Development	825,246	837,210	737,984	99,226
Building Department	1,226,248	1,236,748	1,138,755	97,993
Transportation	1,506,495	1,545,195	1,456,448	88,747
Basic Utility Services	1,757,835	1,770,834	1,750,051	20,783
<i>Total Expenditures</i>	<u>21,717,219</u>	<u>21,804,557</u>	<u>19,022,071</u>	<u>2,782,486</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,509,220)</u>	<u>(2,901,388)</u>	<u>1,234,523</u>	<u>4,135,911</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	15,594	15,594	15,594	0
Advances In	111,510	111,510	111,510	0
Transfers Out	(2,602,799)	(2,616,799)	(2,616,799)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,475,695)</u>	<u>(2,489,695)</u>	<u>(2,489,695)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(4,984,915)	(5,391,083)	(1,255,172)	4,135,911
<i>Fund Balance Beginning of Year</i>	5,472,850	5,472,850	5,472,850	0
Prior Year Encumbrances Appropriated	1,626,662	1,626,662	1,626,662	0
<i>Fund Balance End of Year</i>	<u>\$2,114,597</u>	<u>\$1,708,429</u>	<u>\$5,844,340</u>	<u>\$4,135,911</u>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2021

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$166,546</u>
Liabilities	
Accounts Payable	15,938
Intergovernmental Payable	<u>150,608</u>
<i>Total Liabilities</i>	<u>166,546</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, 2021

<hr/> <hr/>	
Additions	
Fines and Forfeitures for Individuals	\$10,495
Fines and Forfeitures for Other Governments	<u>307,494</u>
<i>Total Additions</i>	<u>317,989</u>
Deletions	
Distributions to Individuals	38,409
Distributions to Other Governments	<u>279,580</u>
<i>Total Deductions</i>	<u>317,989</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, 2021

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 seven 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, the Chagrin Valley Regional Dispatch Center and the Regional Income Tax Agency (RITA) are jointly governed organizations. These organizations are presented in Notes 9 and 18 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 as follows.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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, 2021

Energy Efficiency Fund - The energy efficiency capital projects fund accounts for and reports restricted debt proceeds that are to be used for energy efficient capital improvements within the City.

Flood Control Fund - The flood control capital projects 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, 2021

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 16 and 17.

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, 2021, but which were levied to finance 2022 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, 2021

Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 16 and 17)

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.

The City utilizes a financial institution to service various City Hall energy efficiency renovation payments as prescribed by the lease agreements when they come due. The balances in these accounts are presented on the statement on fund net position as "Cash and cash Equivalents with Fiscal Agents."

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 energy efficiency capital projects fund. Interest revenue credited to the general fund during 2021 amounted to (\$12,198), which includes (\$6,646) 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, 2021, 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, 2021

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.

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, 2021, 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.

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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, 2021

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 2022’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, 2021

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, 2021

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. 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 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. Advances in are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
8. 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, 2021

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the general fund are as follows:

Net Change in Fund Balance	
	General
GAAP Basis	(\$519,613)
Net Adjustment for Revenue Accruals	(428,187)
Advances In	111,510
Beginning Fair Value Adjustment for Investments	(5,607)
Ending Fair Value Adjustment for Investments	8,179
Beginning Unrecorded Cash	7,099
Ending Unrecorded Cash	(21,127)
Beginning Non-Budgeted Activity	851,614
Ending Non-Budgeted Activity	(1,066,998)
Perspective Difference:	
Swimming Pools	(179,660)
Net Adjustment for Expenditure Accruals	1,337,626
Encumbrances	(1,350,008)
Budget Basis	(\$1,255,172)

Note 4 – Asset Retirement Obligations

The Governmental Accounting Standard Board’s (GASB) Statement No. 83, Certain Asset Retirement Obligations, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a City classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. 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:

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Fund Balances	General	Energy Efficiency	Flood Control	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$216,173	\$0	\$0	\$0	\$216,173
Prepays	295,667	0	0	11,526	307,193
Inventory	110,039	0	0	248,402	358,441
<i>Total Nonspendable</i>	621,879	0	0	259,928	881,807
<i>Restricted for</i>					
Sewer Rental	0	0	0	211,349	211,349
Home Improvement	0	0	0	21,934	21,934
Public Safety	0	0	0	809,272	809,272
Street Maintenance	0	0	0	1,185,921	1,185,921
Debt Service Payments	0	0	0	23,655	23,655
Street Lighting	0	0	0	408,417	408,417
Capital Improvements	0	1,525,753	1,096,926	3,911,887	6,534,566
<i>Total Restricted</i>	0	1,525,753	1,096,926	6,572,435	9,195,114
<i>Committed to</i>					
Other Purposes	0	0	0	35,032	35,032
<i>Assigned to</i>					
Purchases on Order:					
Personal Services	36,887	0	0	0	36,887
Materials and Supplies	185,547	0	0	0	185,547
Contractual Services	804,025	0	0	0	804,025
Swimming Pools	97,991	0	0	0	97,991
Community Diversion Programs	12,011	0	0	0	12,011
Salaries and Benefits	162,702	0	0	0	162,702
2022 Operations	5,299,378	0	0	0	5,299,378
<i>Total Assigned</i>	6,598,541	0	0	0	6,598,541
<i>Unassigned (Deficit)</i>	767,910	0	0	(62,129)	705,781
<i>Total Fund Balances</i>	\$7,988,330	\$1,525,753	\$1,096,926	\$6,805,266	\$17,416,275

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.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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

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

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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.

Investments

Investments are reported at fair value. As of December 31, 2021, 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>\$95,712</u>	Less than one year	AA+	N/A
Fair Value - Level Two Inputs				
Federal Home Loan				
Bank Bonds	1,723,940	Less than five years	AA+	28.28 %
Negotiable Certificates of Deposit	<u>4,277,283</u>	Less than five years	N/A	70.14
Total Fair Value - Level Two Inputs	<u>6,001,223</u>			
Total Portfolio	<u>\$6,096,935</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, 2021. 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.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Note 7 - Receivables

Receivables at December 31, 2021, 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.

At December 31, 2021 the total amount of delinquent special assessments was \$797,484. 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 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes were levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021, was \$16.25 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2021 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	13,244,200
Total Assessed Values	<u><u>\$383,300,500</u></u>

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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, 2021, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2021 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 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:

Governmental Activities	Amount
Gasoline and Excise Tax	\$473,419
Local Government	412,343
Homestead and Rollback	342,560
Permissive Motor Vehicle License Tax	71,977
State and Local Highway Tax	62,849
State of Ohio	8,392
Total	\$1,371,540

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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.

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 2021, the City of South Euclid paid \$234,244 in premiums from the general fund, which represents 10.33 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.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Additions	Deductions	Balance 12/31/2021
Governmental Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$517,278	\$0	\$0	\$517,278
Construction in Progress	636,710	739,782	(97,562)	1,278,930
Total Capital Assets not being Depreciated	<u>1,153,988</u>	<u>739,782</u>	<u>(97,562)</u>	<u>1,796,208</u>
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	6,625,488	20,917	0	6,646,405
Equipment	3,028,934	211,116	0	3,240,050
Vehicles	5,210,396	434,957	(168,378)	5,476,975
Infrastructure:				
Streets	33,345,213	1,844,300	0	35,189,513
Bridges, Sewers and Culverts	36,348,843	1,314,545	0	37,663,388
Traffic Signals	317,118	97,562	0	414,680
Total Capital Assets being Depreciated	<u>84,875,992</u>	<u>3,923,397</u>	<u>(168,378)</u>	<u>88,631,011</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,696,085)	(76,469)	0	(5,772,554)
Equipment	(1,860,926)	(186,859)	0	(2,047,785)
Vehicles	(3,427,721)	(342,299)	160,144	(3,609,876)
Infrastructure:				
Streets	(17,959,316)	(1,104,702)	0	(19,064,018)
Bridges, Sewers and Culverts	(7,770,487)	(637,220)	0	(8,407,707)
Traffic Signals	(29,410)	(8,170)	0	(37,580)
Total Accumulated Depreciation	<u>(36,743,945)</u>	<u>(2,355,719) *</u>	<u>160,144</u>	<u>(38,939,520)</u>
Total Capital Assets being Depreciated, Net	<u>48,132,047</u>	<u>1,567,678</u>	<u>(8,234)</u>	<u>49,691,491</u>
Governmental Activities Capital Assets, Net	<u>\$49,286,035</u>	<u>\$2,307,460</u>	<u>(\$105,796)</u>	<u>\$51,487,699</u>

*Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$1,394
Judicial System	4,380
Security of Persons and Property:	
Police	29,017
Fire	22,753
Leisure Time Activities	9,392
Building Department	5,033
Transportation	1,439,083
Basic Utility Services	780,782
Swimming Pools	63,885
Total Depreciation Expense	<u>\$2,355,719</u>

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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, 2021 the City has nine lots on Greenvale which are being held for resale.

Note 12 - 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 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
2021 Various Purpose General Obligation Bond Anticipation Notes	0.88%	1,638,000	2022

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

A schedule of changes in bonds and other long-term obligations of the City during 2021 follows:

	Amount Outstanding 12/31/2020	Additions	Deletions	Amount Outstanding 12/31/2021	Amounts Due In One Year
Governmental Activities:					
General Obligation Bonds:					
2012 Real Estate Acquisition and Urban Redevelopment Bonds					
Current Interest Serial Bonds	\$685,000	\$0	(\$340,000)	\$345,000	\$345,000
Premium	58,609	0	(29,304)	29,305	0
Total 2012 Real Estate Acquisition and Urban Redevelopment Bonds	743,609	0	(369,304)	374,305	345,000
2019 Various Purpose					
Current Interest Serial Bonds	3,735,000	0	(105,000)	3,630,000	110,000
Term Bonds	8,900,000	0	0	8,900,000	0
Total 2019 Various Purpose General Obligation Refunding Bonds	12,635,000	0	(105,000)	12,530,000	110,000
<i>Total General Obligation Bonds</i>	13,378,609	0	(474,304)	12,904,305	455,000
Long-term Obligations from Direct Placements:					
<i>Special Obligation Bond:</i>					
2014 Housing Development	1,230,000	0	(120,000)	1,110,000	125,000
<i>Ohio Air Quality Development Authority Loans:</i>					
OAQDA 2011 Series B	359,189	0	(61,469)	297,720	56,867
<i>Total Long-term Obligations from Direct Placements</i>	1,589,189	0	(181,469)	1,407,720	181,867
Loans from Direct Borrowings:					
<i>OPWC Loans:</i>					
Liberty Road Bridge Replacement	94,485	0	(75,588)	18,897	18,897
Whitehall Road Bridge Replacement	56,646	0	(18,882)	37,764	9,441
Bexley Infrastructure	280,670	0	(124,742)	155,928	62,372
Cedar Center	171,849	0	(26,438)	145,411	13,219
Nine Mile Creek Rehabilitation	171,556	0	(26,392)	145,164	13,197
Rainbow Creek	71,786	0	(11,044)	60,742	5,522
Green Road	458,304	0	(70,509)	387,795	35,254
Argonne Road	561,601	0	(48,836)	512,765	24,417
South Green Traffic Signal	80,499	0	0	80,499	0
<i>Total OPWC Loans</i>	1,947,396	0	(402,431)	1,544,965	182,319
<i>OWDA Loan:</i>					
Stormwater Improvement	759,565	0	(116,615)	642,950	120,435
<i>Total Loans from Direct Borrowings</i>	\$2,706,961	\$0	(\$519,046)	\$2,187,915	\$302,754

(continued)

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

	Amount Outstanding 12/31/2020	Additions	Deletions	Amount Outstanding 12/31/2021	Amounts Due In One Year
Governmental Activities: (continued)					
Other Long-term Obligations					
Net Pension Liability					
OPERS	\$4,771,435	\$0	(\$1,330,540)	\$3,440,895	\$0
OP&F	17,704,898	356,503	0	18,061,401	0
Total Net Pension Liability	<u>22,476,333</u>	<u>356,503</u>	<u>(1,330,540)</u>	<u>21,502,296</u>	<u>0</u>
Net OPEB Liability					
OPERS	3,221,238	0	(3,221,238)	0	0
OP&F	2,596,057	211,057	0	2,807,114	0
Total Net Pension Liability	<u>5,817,295</u>	<u>211,057</u>	<u>(3,221,238)</u>	<u>2,807,114</u>	<u>0</u>
2021 Various Purpose Bond Anticipaiton Notes					
Notes	0	1,638,000	0	1,638,000	0
Premium on Notes	0	11,024	(8,268)	2,756	0
Total Net Pension Liability	<u>0</u>	<u>1,649,024</u>	<u>(8,268)</u>	<u>1,640,756</u>	<u>0</u>
Police and Fire Pension	209,537	0	(10,708)	198,829	11,220
Capital Leases	153,773	6,261,040	(478,951)	5,935,862	479,996
Compensated Absences	1,129,466	191,864	(133,824)	1,187,506	69,112
Asset Retirement Obligation	70,000	0	0	70,000	0
<i>Total Other Long-term Obligations</i>	<u>29,856,404</u>	<u>8,669,488</u>	<u>(5,183,529)</u>	<u>33,342,363</u>	<u>560,328</u>
<i>Total Governmental Activities</i>	<u>\$47,531,163</u>	<u>\$8,669,488</u>	<u>(\$6,358,348)</u>	<u>\$49,842,303</u>	<u>\$1,499,949</u>

In 2021, the City issued \$1,638,000 in general obligation bond anticipation notes at an interest rate of 0.88 percent. These notes mature on March 31, 2022. The notes were issued for real estate acquisition and urban redevelopment.

The notes are backed by the full faith and credit of the City of South Euclid and mature within one year. The note liability is reflected in the fund which received the proceeds. The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

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, 2021, \$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.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

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 B loan through direct placement in the amounts of \$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 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 \$1,544,965 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 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, 2021 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 \$642,950 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 16 and 17.

As of December 31, 2021, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$40,270,208 and the unvoted legal debt margin was \$21,105,183. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2021 are as follows:

City of South Euclid, Ohio
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For The Year Ended December 31, 2021

	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
2022	\$455,000	\$388,871	\$182,319	\$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	132,235	128,457	11,904	12,205	7,346
2025	490,000	357,009	101,050	132,665	7,695	12,729	6,821
2026	500,000	345,082	91,609	137,012	3,349	13,276	6,275
2027-2031	2,725,000	1,517,266	458,044	0	0	75,441	22,311
2032-2036	3,170,000	1,074,888	189,281	0	0	62,256	5,296
2037-2041	3,760,000	489,579	122,090	0	0	0	0
2042-2043	835,000	14,834	24,417	0	0	0	0
Total	\$12,875,000	\$4,934,315	\$1,464,466	\$642,950	\$58,852	\$198,829	\$64,227

	Governmental Activities (continued)			
	<i>From Direct Placements</i>			
	OAQDA Loans		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
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	62,283	1,699	140,000	20,945
2027-2029	0	0	450,000	32,305
Total	\$297,720	\$41,340	\$1,110,000	\$183,712

Note 13 - 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, 2021.

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.

City of South Euclid, Ohio
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For The Year Ended December 31, 2021

Note 14 - 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.

Note 15 –Leases

Capital Leases

In 2021, the City entered into a capital lease obligation for energy efficient renovations and improvements throughout City Hall. The capital lease obligation relates to renovations and improvements currently being done by the City. The lease meets the criteria for a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases.” At the time the City entered into this lease the renovations and improvements have not been completed. The City made two payments as of December 31, 2021. This lease has been capitalized as a capital asset in the amount of \$4,317,884 for building improvements and construction in progress as of December 31, 2021. The entire principal amount owed on the lease is \$6,261,040. As part of the agreement, Key Government Finance, Incorporated, as lessor, provided \$6,261,040 for the renovations and improvements. Amounts are paid to contractors by the fiscal agent at the direction of the City as the project progresses. As of December 31, 2021, \$1,525,753 is held by the fiscal agent and will be paid for the renovations and improvements.

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, 2021 are as follows:

	<u>Amounts</u>
Building Improvements	\$6,261,040
Vehicles	312,717
Equipment	57,787
Total Capitalized	<u>6,631,544</u>
Less: Accumulated Depreciation	<u>(201,945)</u>
Current Book Value	<u><u>\$6,429,599</u></u>

City of South Euclid, Ohio
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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, 2021.

	Amounts
2022	\$626,594
2023	581,105
2024	540,119
2025	529,893
2026	519,665
2027 - 2031	2,444,955
2032 - 2035	1,771,873
Total Minimum Lease Payments	7,014,204
Less: Amount representing interest	(1,078,342)
Present Value of Minimum Lease Payments	\$5,935,862

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

Operating Leases

The City, as a lessee, has entered into an agreement, effective November 25, 2020, with C.C.T. Financial to lease copier equipment purchased from Meritech. The equipment is being leased for 60 months with the option at lease end to purchase all of the equipment for its Fair Market Value, renew the agreement or return the equipment.

The following is a schedule by years of minimum future rentals on the operating lease as of December 31, 2021:

	C.C.T. Financial
2022	\$12,504
2023	12,504
2024	12,504
2025	11,462
Total minimum lease payments	\$48,974

Note 16 - Defined Benefit Pension Plans

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

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

The net pension liability (asset) and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employee – 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.

City of South Euclid, Ohio
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The net pension/OPEB liability (asset) represents the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (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.

The 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 health care to eligible benefit recipients.

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

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.

City of South Euclid, Ohio
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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 Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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 on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care. The date of implementation will be determined when finalized changes are approved.

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

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
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 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 2021, the City's contractually required contribution was \$491,484 for the traditional plan, \$15,167 for the combined plan and \$2,428 for the member-directed plan. Of these amounts, \$44,527 is reported as an intergovernmental payable for the traditional plan, \$1,374 for the combined plan, and \$221 for the member-directed plan.

City of South Euclid, Ohio
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Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans. Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

City of South Euclid, Ohio
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	<u>Police</u>	<u>Firefighters</u>
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,480,525 for 2021. Of this amount, \$136,901 is reported as an intergovernmental payable.

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, 2021, the specific liability of the City was \$198,829 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, 2020, 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, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0232370%	0.0218460%	0.2649430%	
Prior Measurement Date	<u>0.0241400%</u>	<u>0.0209290%</u>	<u>0.2628191%</u>	
Change in Proportionate Share	<u>-0.0009030%</u>	<u>0.0009170%</u>	<u>0.0021239%</u>	
Proportionate Share of the:				
Net Pension Liability	\$3,440,895	\$0	\$18,061,401	\$21,502,296
Net Pension Asset	0	(63,061)	0	(63,061)
Pension Expense	(156,358)	1,605	1,236,196	1,081,443

2021 pension expense for the member-directed defined contribution plan was \$2,428. The aggregate pension expense for all pension plans was \$1,083,871 for 2021.

City of South Euclid, Ohio
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At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$0	\$0	\$755,028	\$755,028
Changes of assumptions	0	3,938	302,898	306,836
Changes in proportion and differences between City contributions and proportionate share of contributions	0	2,076	171,799	173,875
City contributions subsequent to the measurement date	491,484	15,167	1,480,525	1,987,176
Total Deferred Outflows of Resources	\$491,484	\$21,181	\$2,710,250	\$3,222,915
Deferred Inflows of Resources				
Differences between expected and actual experience	\$143,935	\$11,897	\$703,618	\$859,450
Net difference between projected and actual earnings on pension plan investments	1,341,159	9,379	876,097	2,226,635
Changes in proportion and differences between City contributions and proportionate share of contributions	139,582	1,247	500,715	641,544
Total Deferred Inflows of Resources	\$1,624,676	\$22,523	\$2,080,430	\$3,727,629

\$1,987,176 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 2022. 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:				
2022	(\$663,881)	(\$4,313)	(\$132,664)	(\$800,858)
2023	(231,178)	(2,665)	218,485	(15,358)
2024	(546,702)	(4,829)	(882,802)	(1,434,333)
2025	(182,915)	(2,138)	(100,496)	(285,549)
2026	0	(802)	46,772	45,970
Thereafter	0	(1,762)	0	(1,762)
Total	(\$1,624,676)	(\$16,509)	(\$850,705)	(\$2,491,890)

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.

City of South Euclid, Ohio
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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, 2020, 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, 2020, are presented as follows:

	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	.5 percent, simple through 2021, then 2.15 percent, simple	.5 percent, simple through 2021, 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 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 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.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of 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, 2020, these best estimates are summarized in the following table:

City of South Euclid, Ohio
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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	100.00 %	5.43 %

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:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City’s proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	\$6,563,523	\$3,440,895	\$844,433
OPERS Combined Plan	(43,910)	(63,061)	(77,335)

Changes between the Measurement Date and the Reporting Date Cost of living adjustments for OPERS members in 2022 will be 3 percent for all of those eligible to receive the annual benefit increase.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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 are compared with past expectations and new estimates are made about the future. Assumptions considered are: 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.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented as follows:

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
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	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, 2020, are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.00 %	5.40 %
Non-US Equity	14.00	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
Midstream Energy Infrastructure	5.00	6.60
Real Assets	8.00	7.40
Gold	5.00	1.90
Private Real Estate	12.00	6.40
Total	<u>125.00 %</u>	

Note: Assumptions are geometric.

* levered 2.5x

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

Discount Rate The total pension liability was calculated using the discount rate of 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	\$25,143,785	\$18,061,401	\$12,134,163

Note 17 – Defined Benefit OPEB Plans

See Note 16 for a description of the net OPEB liability (asset)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

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

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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.

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

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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. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report referenced later 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 2021, 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 2021, 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 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$694 for 2021. Of this amount, \$63 is reported as an intergovernmental payable.

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

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

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

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.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, 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.

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The City's contractually required contribution to OP&F was \$35,085 for 2021. Of this amount, \$3,231 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.0223840%	0.2649430%	
Prior Measurement Date	<u>0.0233210%</u>	<u>0.2628191%</u>	
Change in Proportionate Share	<u>-0.0009370%</u>	<u>0.0021239%</u>	
Proportionate Share of the Net OPEB Liability	\$0	\$2,807,114	\$2,807,114
Proportionate Share of the Net OPEB (Asset)	(\$398,788)	\$0	(\$398,788)
OPEB Expense	(\$2,560,877)	\$203,737	(\$2,357,140)

At December 31, 2021, 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			
Changes of assumptions	\$196,049	\$1,550,778	\$1,746,827
Changes in proportion and differences between City contributions and proportionate share of contributions	0	14,590	14,590
City contributions subsequent to the measurement date	<u>694</u>	<u>35,085</u>	<u>35,779</u>
Total Deferred Outflows of Resources	<u>\$196,743</u>	<u>\$1,600,453</u>	<u>\$1,797,196</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$359,904	\$463,024	\$822,928
Changes of assumptions	646,157	447,507	1,093,664
Net difference between projected and actual earnings on OPEB plan investments	212,400	104,317	316,717
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>98,148</u>	<u>219,669</u>	<u>317,817</u>
Total Deferred Inflows of Resources	<u>\$1,316,609</u>	<u>\$1,234,517</u>	<u>\$2,551,126</u>

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\$35,779 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase to the net OPEB asset in 2022. 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
2022	(\$601,276)	\$58,293	(\$542,983)
2023	(401,958)	82,996	(318,962)
2024	(92,301)	44,051	(48,250)
2025	(25,025)	62,794	37,769
2026	0	39,069	39,069
Thereafter	0	43,648	43,648
Total	<u>(\$1,120,560)</u>	<u>\$330,851</u>	<u>(\$789,709)</u>

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. 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	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent, initial 3.50 percent, ultimate in 2035
Prior Measurement date	10.5 percent, initial 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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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. Postretirement 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. Postretirement 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.

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. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 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	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB asset on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB liability (asset)	(\$99,161)	(\$398,788)	(\$645,107)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	(\$408,508)	(\$398,788)	(\$387,915)

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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.

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
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
Blended discount rate:	
Current measurement date	2.96 percent
Prior measurement date	3.56 percent
Cost of Living Adjustments	2.2 percent simple

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 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 16.

Discount Rate For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 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 2.12 percent at December 31,

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For The Year Ended December 31, 2021

2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. 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 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, 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 2.96 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 (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$3,500,311	\$2,807,114	\$2,235,308

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 18 - 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 2021, the City contributed \$202,777, paid from the general fund, which represented 21.98 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 over 200 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.

City of South Euclid, Ohio
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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 2021. 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 2021, the City of South Euclid contributed \$4,750 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.

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 2021. 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.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
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During 2021, the City of South Euclid contributed \$624,114. 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.

Chagrin Valley Regional Dispatch Center

The City is a member of the Chagrin Valley Regional Dispatch Center (CVRDC). The CVRDC was formed by a Council of Governments to foster cooperation through the sharing of operations of a central dispatch center for safety forces of the participating entities. The CVRDC is comprised of over 20 communities.

The CVRDC is provided with legislative oversight from the Mayors and City Managers of the various communities. The Administrative Board consists of the chiefs of police and fire of each member municipality. The Board oversees and manages the operation of the program. The degree of control exercised by any participating government is limited to its representation on the Board. The City of South Euclid contributed \$162,031 to the CVRDC during 2021. Financial information can be obtained by contacting Vic Nogalo (vnogalo@aol.com), Administrator, 88 Center Street, Bedford, Ohio 44146.

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 2021, the City paid RITA \$312,610 for income tax collection services.

Note 19 - Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2021, consisted of an interfund receivable/payable of \$62,129 between the general fund and other governmental funds pending the receipt of donations. The interfund balance will be repaid within one year.

Interfund Transfers

Interfund transfers for the year ended December 31, 2021, consisted of the following:

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Transfers To	Transfers From General
Major Governmental Fund:	
Energy Efficiency	\$570,799
Other Governmental Funds:	
Street Lighting	94,000
Sewer Rental	40,000
General Obligation Bond Retirement	64,000
Land Acquisition	940,000
General Capital Improvements	878,000
<i>Total</i>	<u>\$2,586,799</u>

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 energy efficiency capital projects funds received transfers from the general fund to fund capital purchases.

Note 20 – 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	\$1,350,008
Flood Control	276,970
Other Governmental Funds	2,290,773
<i>Total</i>	<u>\$3,917,751</u>

Contractual Commitments

As of December 31, 2021, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid To Date	Remaining Contract
Various Vendors for Contractor Fees	\$2,278,000	\$1,604,093	\$673,907
Catt's Construction, Inc.	400,000	357,904	42,096
Stephen Hovancsek and Associates	410,804	215,697	195,107
Cargill Inc.	414,000	193,854	220,146
Leopardo Energy LLC	673,395	5,161	668,234
<i>Total</i>	<u>\$4,176,199</u>	<u>\$2,376,709</u>	<u>\$1,799,490</u>

The remaining commitments were encumbered at year-end. The amounts of \$225,815 and \$12,831 in contracts and retainage payable for governmental activities, respectively, have been capitalized.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Note 21 – Change in Accounting Principle

For 2021, the City implemented *Implementation Guide No. 2019-1*. This change was incorporated in the City's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 22 – 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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.

Note 23 – Subsequent Event

On March 30, 2022, the City issued various purpose street improvement notes in the amount of \$3,738,000 at a rate of 2.00 percent with a maturity date of March 30, 2023. The notes were used to retire \$1,638,000 in general obligation bond anticipation notes that were due to mature on March 31, 2022 as well as to issue \$2,100,000 in additional notes for street improvements.

Required Supplementary Information

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 Eight Years (1)

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.0232370%	0.0241400%	0.0244640%	0.0264780%
City's Proportionate Share of the Net Pension Liability	\$3,440,895	\$4,771,435	\$6,700,193	\$4,153,886
City's Covered Payroll	\$3,272,857	\$3,396,407	\$3,303,364	\$3,499,038
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.13%	140.48%	202.83%	118.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%

(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.

2017	2016	2015	2014
0.0277760%	0.0279860%	0.0284490%	0.0284490%
\$6,307,456	\$4,847,527	\$3,431,267	\$3,353,766
\$3,600,550	\$3,473,236	\$3,487,850	\$3,459,745
175.18%	139.57%	98.38%	96.94%
77.25%	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 Four Years (1)

	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.0218460%	0.0209290%	0.0213410%	0.0218760%
City's Proportionate Share of the Net Pension Asset	\$63,061	\$43,641	\$23,864	\$29,782
City's Covered Payroll	\$96,279	\$93,164	\$91,271	\$89,592
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-65.50%	-46.84%	-26.15%	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	157.67%	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.

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

	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability (Asset)	0.0223840%	0.0233210%	0.0238760%	0.0257100%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$398,788)	\$3,221,238	\$3,112,867	\$2,791,917
City's Covered Payroll	\$3,385,186	\$3,523,346	\$3,462,210	\$3,641,155
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-11.78%	91.43%	89.91%	76.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%

(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.

2017

0.0269200%

\$2,719,011

\$3,600,550

75.52%

54.04%

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 Eight Years (1)

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.2649430%	0.2628191%	0.2717670%	0.2741820%
City's Proportionate Share of the Net Pension Liability	\$18,061,401	\$17,704,898	\$22,183,369	\$16,827,786
City's Covered Payroll	\$5,985,337	\$6,534,593	\$6,070,974	\$5,992,791
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	301.76%	270.94%	365.40%	280.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%

(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.

2017	2016	2015	2014
0.2781360%	0.2730100%	0.2726124%	0.2726124%
\$17,616,856	\$17,562,924	\$14,122,459	\$13,277,079
\$5,871,187	\$5,562,718	\$5,435,025	\$5,514,323
300.06%	315.73%	259.84%	240.77%
68.36%	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 Five Years (1)

	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability	0.2649430%	0.2628191%	0.2717670%	0.2741820%
City's Proportionate Share of the Net OPEB Liability	\$2,807,114	\$2,596,057	\$2,474,856	\$15,534,767
City's Covered Payroll	\$5,985,337	\$6,534,593	\$6,070,974	\$5,992,791
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	46.90%	39.73%	40.77%	259.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.40%	47.08%	46.57%	14.13%

(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.

2017

0.2781360%

\$13,202,490

\$5,871,187

224.87%

15.96%

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

	2021	2020	2019	2018
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$491,484	\$458,200	\$475,497	\$462,471
Contributions in Relation to the Contractually Required Contribution	<u>(491,484)</u>	<u>(458,200)</u>	<u>(475,497)</u>	<u>(462,471)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,510,600	\$3,272,857	\$3,396,407	\$3,303,364
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$15,167	\$13,479	\$13,043	\$12,778
Contributions in Relation to the Contractually Required Contribution	<u>(15,167)</u>	<u>(13,479)</u>	<u>(13,043)</u>	<u>(12,778)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$108,336	\$96,279	\$93,164	\$91,271
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability - OPEB Plan (3)				
Contractually Required Contribution	\$694	\$642	\$1,351	\$2,703
Contributions in Relation to the Contractually Required Contribution	<u>(694)</u>	<u>(642)</u>	<u>(1,351)</u>	<u>(2,703)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$3,636,286	\$3,385,186	\$3,523,346	\$3,462,210
OPEB Contributions as a Percentage of Covered Payroll	<u>0.02%</u>	<u>0.02%</u>	<u>0.04%</u>	<u>0.08%</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.

2017	2016	2015	2014	2013
\$454,875	\$432,066	\$416,788	\$418,542	\$449,767
(454,875)	(432,066)	(416,788)	(418,542)	(449,767)
\$0	\$0	\$0	\$0	\$0
\$3,499,038	\$3,600,550	\$3,473,236	\$3,487,850	\$3,459,745
13.00%	12.00%	12.00%	12.00%	13.00%
\$11,647	\$11,061	\$7,829	\$6,389	\$6,692
(11,647)	(11,061)	(7,829)	(6,389)	(6,692)
\$0	\$0	\$0	\$0	\$0
\$89,592	\$92,175	\$65,242	\$53,242	\$51,477
13.00%	12.00%	12.00%	12.00%	13.00%
\$37,987	\$72,011			
(37,987)	(72,011)			
\$0	\$0			
\$3,641,155	\$3,600,550			
1.04%	2.00%			

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$1,480,525	\$1,262,522	\$1,378,898	\$1,283,505
Contributions in Relation to the Contractually Required Contribution	<u>(1,480,525)</u>	<u>(1,262,522)</u>	<u>(1,378,898)</u>	<u>(1,283,505)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$7,016,961	\$5,985,337	\$6,534,593	\$6,070,974
Pension Contributions as a Percentage of Covered Payroll	<u>21.10%</u>	<u>21.09%</u>	<u>21.10%</u>	<u>21.14%</u>
Net OPEB Liability				
Contractually Required Contribution	\$35,085	\$29,927	\$32,673	\$30,355
Contributions in Relation to the Contractually Required Contribution	<u>(35,085)</u>	<u>(29,927)</u>	<u>(32,673)</u>	<u>(30,355)</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>21.60%</u>	<u>21.59%</u>	<u>21.60%</u>	<u>21.64%</u>

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013	2012
\$1,265,037	\$1,239,217	\$1,171,179	\$1,140,865	\$989,937	\$828,048
<u>(1,265,037)</u>	<u>(1,239,217)</u>	<u>(1,171,179)</u>	<u>(1,140,865)</u>	<u>(989,937)</u>	<u>(828,048)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,992,791	\$5,871,187	\$5,562,718	\$5,435,025	\$5,514,323	\$5,598,502
<u>21.11%</u>	<u>21.11%</u>	<u>21.05%</u>	<u>20.99%</u>	<u>17.95%</u>	<u>14.79%</u>
\$29,964	\$29,355	\$27,814	\$27,175	\$199,434	\$377,898
<u>(29,964)</u>	<u>(29,355)</u>	<u>(27,814)</u>	<u>(27,175)</u>	<u>(199,434)</u>	<u>(377,898)</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>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>
<u>21.61%</u>	<u>21.61%</u>	<u>21.55%</u>	<u>21.49%</u>	<u>21.57%</u>	<u>21.54%</u>

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

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 as follows:

	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:

2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2017 use 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.

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.

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

Changes in Assumptions – OPERS Pension – Combined Plan

For 2021 and 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.

Changes in Assumptions – OP&F Pension

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

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	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	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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, 2021

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:	
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

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

**CITY OF SOUTH EUCLID
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

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	\$ 25,355
<i>Passed through State of Ohio</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	675,606
Total U.S. Department of the Treasury			<u>700,961</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
Assistance to Firefighters Grant	97.044	N/A	142,377
Total U.S. Department of Homeland Security			<u>142,377</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 843,338</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, 2021**

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, 2021. 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.

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

City of South Euclid
Cuyahoga County
1349 South Green Road
South Euclid, OH 44121

To the Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Euclid, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 **2021-001**.

Report on Compliance and Other Matters

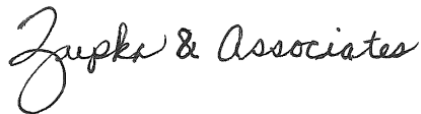
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Zupka & Associates
Certified Public Accountants

September 15, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

City of South Euclid
Cuyahoga County
1349 South Green Road
South Euclid, OH 44121

To the Members of City Council:

Report on Compliance for Each Major Federal Program

Opinion on 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 identified as subject to audit 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted an audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of South Euclid, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of South Euclid's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements to the City of South Euclid's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of South Euclid's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of South Euclid's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of South Euclid's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of South Euclid's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of South Euclid's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Zupka & Associates
Certified Public Accountants

September 15, 2022

**CITY OF SOUTH EUCLID
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 UNIFORM GUIDANCE
 FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

2021(i)	Type of Financial Statement Opinion	Unmodified
2021(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2021(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2021(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2021(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2021(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2021(v)	Type of Major Programs' Compliance Opinions	Unmodified
2021(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2021(vii)	Major Programs (list): Coronavirus State and Local Fiscal Recovery Funds - ALN 21.027	
2021(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2021(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, 2021
(CONTINUED)**

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

Finding No. 2021-001 – 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 on a timely basis each month of 2021 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 agree with the auditors’ findings, and the following actions will be implemented to improve the situations: the Clerk of Court will prepare monthly reconciliations for the Court’s bank accounts and fund balances. Balancing formulae provided by the Court’s case management system will help identify variances and ensure monthly disbursements are accurate. Positive pay protections on the Court’s bank accounts will reduce the likelihood of theft/fraud/unauthorized payments. Monthly reconciliations will be presented to the Judge for review.

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, 2021**

The prior issued audit report, as of December 31, 2020, included a material weakness.

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2020-001	Court Bank Reconciliations	Not Corrected	Repeated as Finding 2021-001

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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 11/10/2022

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

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