CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2022

Zupka & Associates
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of South Euclid
1349 S Green Rd
South Euclid, OH 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, 2022 through December 31, 2022. 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.

Keith Faber
Auditor of State
Columbus, Ohio

August 01, 2023

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CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

City of South Euclid
Cuyahoga County
1349 South Green Road
South Euclid, Ohio 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, 2022, 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, 2022, 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 20 to the basic financial statements, it was determined that financed purchases and capital assets were understated. As a result, the City is reporting a restatement of net position. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, 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

Zupka & Associates
Certified Public Accountants

June 27, 2023

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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, 2022. 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 2022 are as follows:

- During 2022, the City of South Euclid saw an increase in property tax and income tax revenues. Property tax revenue increased because collections increased. Income taxes increased due to an increase in employer withholdings.

- The increase in assets, deferred outflows and deferred inflows of the City coupled with the decrease in liabilities at December 31, 2022 resulted in the City's increase in net position from 2021 to 2022. This is due to increases in cash and cash equivalents as revenues outpaced expenses.

- The City made capital purchases for building improvements, equipment and vehicles as well as infrastructure improvements as they continue to replace aging assets.

- As of December 31, 2022, 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.

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 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 2022?" 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.

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 2022 compared to 2021.

Table 1
Net Postion

	Governmental Activities		
	2022	2021	Change
Assets			
Current and Other Assets	$43,394,030	$40,131,343	$3,262,687
Net Pension Asset	93,627	63,061	30,566
Net OPEB Asset	729,728	398,788	330,940
Capital Assets, Net	59,093,590	56,233,260	2,860,330
Total Assets	103,310,975	96,826,452	6,484,523
Deferred Outflows of Resources			
Pension	5,932,117	3,222,915	2,709,202
OPEB	1,427,924	1,797,196	(369,272)
Total Deferred Outflows of Resources	7,360,041	5,020,111	2,339,930
Liabilities			
Current Liabilities	4,416,903	3,553,912	(862,991)
Long-Term Liabilities:			
Due Within One Year	1,485,798	1,518,059	32,261
Due in More Than One Year			
Net Pension Liability	18,048,052	21,502,296	3,454,244
Net OPEB Liability	2,797,549	2,807,114	9,565
Other Amounts	25,221,535	24,103,475	(1,118,060)
Total Liabilities	$51,969,837	$53,484,856	$1,515,019

(Continued)

Table 1
Net Postion (Continued)

	Governmental Activities		
	2022	2021	Change
Deferred Inflows of Resources			
Property Taxes	$6,721,756	$6,093,695	($628,061)
Payments in Lieu of Taxes	643,514	1,020,994	377,480
Gain on Refunding	54,085	56,931	2,846
Leases	378,590	412,530	33,940
Pension	8,525,327	3,727,629	(4,797,698)
OPEB	1,971,552	2,551,126	579,574
Total Deferred Inflows of Resources	18,294,824	13,862,905	(4,431,919)
Net Position			
Net Investment in Capital Assets	37,727,976	36,078,298	1,649,678
Restricted for:			
Capital Projects	9,184,677	8,058,684	1,125,993
Law Enforcement	1,487,706	1,124,349	363,357
Street Maintenance	1,790,124	1,929,762	(139,638)
Street Lighting	1,174,683	1,033,553	141,130
Sewer Maintenance	563,131	611,263	(48,132)
Community Development	21,934	21,934	0
Pension Plan	81,450	61,719	19,731
Other Purposes	2,029,834	1,660,419	369,415
Unrestricted (Deficit)	(13,655,160)	(16,081,179)	2,426,019
Total Net Position	$40,406,355	$34,498,802	$5,907,553

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2022. 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.

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 2021 to 2022 due to increases in current and other assets coupled with an increase in deferred outflows of resources and a decrease in liabilities being slightly offset by a decrease in deferred inflows of resources. The increase in capital assets was primarily due to site improvements, purchases of additional vehicles and equipment and continuing capital outlays exceeding depreciation and deletions.

Total liabilities decreased due to decreases in net pension and OPEB liabilities which were slightly offset by increases in current liabilities such as accrued wages, contracts, intergovernmental, and retainage payable and by the issuance of additional long-term debt.

Table 2 shows the changes in net position for the years ended December 31, 2022 and 2021 and corresponds to the Statement of Activities on page 17.

Table 2
Changes in Net Position

	Governmental Activities		
	2022	2021	Change
Revenues			
Program Revenues:			
Charges for Services and Operating Assessments	$5,203,747	$5,254,021	($50,274)
Operating Grants and Contributions	3,329,517	2,322,999	1,006,518
Capital Grants	1,236,848	1,119,107	117,741
Total Program Revenues	9,770,112	8,696,127	1,073,985
General Revenues:			
Property Taxes	6,879,725	6,612,062	267,663
Income Taxes	15,522,303	13,141,537	2,380,766
Grants and Entitlements	1,715,766	2,167,838	(452,072)
Payments in Lieu of Taxes	643,515	1,020,994	(377,479)
Unrestricted Contributions	12,150	12,000	150
Interest	(192,376)	(11,019)	(181,357)
Gain on Sale of Capital Assets	0	7,354	(7,354)
Miscellaneous	799,395	785,613	13,782
Total General Revenues	25,380,478	23,736,379	1,644,099
Total Revenues	$35,150,590	$32,432,506	$2,718,084

Table 2
Changes in Net Position (Continued)

	Governmental Activities		
	2022	2021	Change
Program Expenses			
General Government:			
Legislative and Executive	$4,404,414	$4,116,650	($287,764)
Judicial System	779,579	490,955	(288,624)
Security of Persons and Property:			
Police	6,853,318	7,311,750	458,432
Fire	5,425,715	5,340,451	(85,264)
Public Health Services	99,620	44,429	(55,191)
Leisure Time Activities	684,788	199,867	(484,921)
Community Development	821,000	385,343	(435,657)
Building Department	955,339	919,004	(36,335)
Transportation	3,556,931	5,143,778	1,586,847
Basic Utility Services	4,697,828	4,355,519	(342,309)
Swimming Pools	338,211	249,150	(89,061)
Interest and Fiscal Charges	626,294	625,090	(1,204)
Total Program Expenses	29,243,037	29,181,986	(61,051)
Change in Net Position	5,907,553	3,250,520	2,657,033
Net Position Beginning of Year	34,498,802	31,248,282	3,250,520
Net Position End of Year	$40,406,355	$34,498,802	$5,907,553

Program revenues increased in 2022 mainly due to an increase in operating grants and contributions due to a grant received from Cuyahoga County and twenty parcels of land received in to the City's lank bank. 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 property taxes and income taxes being received. Program expenses increased in 2022 mainly due to increases in general government, leisure time activities, community development 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 2022. The City remains committed to collecting all taxes due to it and during 2023 working in conjunction with the Regional Income Tax Agency to identify and assess individuals who were delinquent in filing their income tax returns. Property tax revenue increased during 2022 and remained the City's second largest source of revenues. Revenues from grants and entitlements represented approximately 6.8 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 $2,012,000 designated for flood control projects.

The City continued its commitment to providing quality roads and sidewalks to 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 increased spending on repairs and maintenance of infrastructure within the City.

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 2021. Revenues increased due to increases in property taxes, income taxes, special assessments, fines, forfeitures and settlements and other revenues collected. Expenditures slightly increased overall with the largest increase in principal retirement due to the payment of a bond anticipation note that was issued in 2021. The general fund experienced increases in revenues from 2021 in property taxes, income taxes, fees licenses and permits, fines and forfeitures, and charges for services revenues. The City experienced increases in general fund expenditures compared to 2021 levels. The increases in expenditures can be attributed to a general increase in operating expenditures. General fund revenues and other financing sources exceeded expenditures and other financing uses, resulting in the general fund balance increasing from 2021.

During 2022, the flood control capital projects fund balance decreased as a result of expenditures outpacing revenues as capital projects increased 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 2022, 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.

Capital Assets and Long–Term Obligations

Capital Assets

Table 3 shows 2022 balances of capital assets as compared to 2021.

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

	Governmental Activities	
	2022	2021*
Land	$517,278	$517,278
Construction in Progress	824,463	5,963,344
Buildings and Improvements	8,552,004	873,851
Equipment	1,091,579	1,192,265
Vehicles	1,721,733	1,867,099
Intangible Right to Use - Equipment	42,284	61,147
Infrastructure		
Streets	15,085,167	16,125,495
Bridges, Sewers and Culverts	30,890,152	29,255,681
Traffic Signals	368,930	377,100
Total Capital Assets	$59,093,590	$56,233,260

*Restated

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

Long-Term Obligations

Table 4 summarizes the long-term obligations outstanding.

Table 4
Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2022	2021*
General Obligation Bonds	$12,420,000	$12,904,305
Special Obligation Bonds	985,000	1,110,000
OPWC Loans	1,444,356	1,544,965
OWDA Loans	522,515	642,950
OAQDA Loans	240,853	297,720
Bond Anticipation Note	3,743,523	1,640,756
Net Pension Liability	18,048,052	21,502,296
Net OPEB Liability	2,797,549	2,807,114
Police and Fire Pension Liability	187,609	198,829
Financed Purchases	5,484,255	5,963,356
Leases	42,142	61,147
Asset Retirement Obligation	70,000	70,000
Compensated Absences	1,567,080	1,187,506
Total	$47,552,934	$49,930,944

*Restated

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 $46,817,923 with an unvoted debt margin of $24,544,696 on December 31, 2022. For more information about the City's long-term obligations, see Note 12 to the basic financial statements.

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 2022. 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, 2022

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$20,773,139
Cash and Cash Equivalents	
In Segregated Accounts	42,572
Accounts Receivable	52,751
Accrued Interest Receivable	15,865
Intergovernmental Receivable	1,371,516
Lease Receivable	378,590
Prepaid Items	220,107
Materials and Supplies Inventory	337,755
Income Taxes Receivable	6,514,809
Property Taxes Receivable	7,321,409
Special Assessments Receivable	3,628,803
Payments in Lieu of Taxes Receivable	643,514
Assets Held for Resale	62,800
Economic Development Properties	2,030,400
Net Pension Asset (See Note 15)	93,627
Net OPEB Asset (See Note 16)	729,728
Nondepreciable Capital Assets	1,341,741
Depreciable Capital Assets	57,751,849
Total Assets	103,310,975
Deferred Outflows of Resources	
Pension	5,932,117
OPEB	1,427,924
Total Deferred Outflows of Resources	7,360,041
Liabilities	
Accounts Payable	529,703
Accrued Wages	221,287
Contracts Payable	1,129,984
Intergovernmental Payable	235,109
Retainage Payable	145,763
Matured Compensated Absences Payable	33,886
Matured Lease Payable	237
Matured Interest Payable	2
Accrued Interest Payable	107,640
Vacation Benefits Payable	823,205
Deposits Held Payable	778,739
Unearned Revenue	411,348
Long-Term Liabilities:	
Due Within One Year	1,485,798
Due In More Than One Year	
Net Pension Liability (See Note 15)	18,048,052
Net OPEB Liability (See Note 16)	2,797,549
Other Amounts	25,221,535
Total Liabilities	51,969,837
Deferred Inflows of Resources	
Property Taxes	6,721,756
Payments in Lieu of Taxes	643,514
Gain on Refunding	54,085
Leases	378,590
Pension	8,525,327
OPEB	1,971,552
Total Deferred Inflows of Resources	18,294,824
Net Position	
Net Investment in Capital Assets	37,727,976
Restricted for:	
Capital Projects	9,184,677
Law Enforcement	1,487,706
Street Maintenance	1,790,124
Street Lighting	1,174,683
Sewer Maintenance	563,131
Community Development	21,934
Other Purposes	2,029,834
Pension Plan	81,450
Unrestricted (Deficit)	(13,655,160)
Total Net Position	$40,406,355

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Activities
For the Year Ended December 31, 2022

	Expenses	Program Revenues: Charges for Services and Operating Assessments	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
General Government:					
Legislative and Executive	$4,404,414	$323,604	$1,062,528	$0	($3,018,282)
Judicial System	779,579	326,036	0	0	(453,543)
Security of Persons and Property:					
Police	6,853,318	539,084	235,228	0	(6,079,006)
Fire	5,425,715	418,754	53,373	0	(4,953,588)
Public Health Services	99,620	233,306	0	0	133,686
Leisure Time Activities	684,788	39,703	300,000	0	(345,085)
Community Development	821,000	63,124	532,500	0	(225,376)
Building Department	955,339	117,995	0	0	(837,344)
Transportation	3,556,931	181,798	1,145,888	822,662	(1,406,583)
Basic Utility Services	4,697,828	2,923,393	0	414,186	(1,360,249)
Swimming Pools	338,211	36,950	0	0	(301,261)
Interest	626,294	0	0	0	(626,294)
Total Governmental Activities	$29,243,037	$5,203,747	$3,329,517	$1,236,848	(19,472,925)

General Revenues	
Property Taxes Levied for:	
General Purposes	3,848,772
Capital Projects	789,191
Other Purposes	2,241,762
Income Taxes Levied for General Purposes	15,522,303
Grants and Entitlements not Restricted to Specific Programs	1,715,766
Payments in Lieu of Taxes	643,515
Unrestricted Contributions	12,150
Investment Earnings/Interest	(192,376)
Miscellaneous	799,395
Total General Revenues	25,380,478
Change in Net Position	5,907,553
Net Position Beginning of Year - Restated see Note 20	34,498,802
Net Position End of Year	$40,406,355

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Balance Sheet
Governmental Funds
December 31, 2022

	General	Flood Control	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$8,540,095	$1,574,958	$9,661,135	$19,776,188
Cash and Cash Equivalents In Segregated Accounts	33,844	0	8,728	42,572
Materials and Supplies Inventory	155,105	0	182,650	337,755
Accrued Interest Receivable	15,865	0	0	15,865
Accounts Receivable	51,451	0	1,300	52,751
Interfund Receivable	62,022	0	85,000	147,022
Intergovernmental Receivable	733,842	0	637,674	1,371,516
Prepaid Items	214,234	0	5,873	220,107
Leases Receivable	378,590	0	0	378,590
Income Taxes Receivable	6,514,809	0	0	6,514,809
Property Taxes Receivable	4,117,058	0	3,204,351	7,321,409
Payments in Lieu of Taxes Receivable	0	0	643,514	643,514
Restricted Cash and Cash Equivalents	996,951	0	0	996,951
Assets Held for Resale	0	0	62,800	62,800
Special Assessments Receivable	93,725	2,531,603	1,003,475	3,628,803
Total Assets	$21,907,591	$4,106,561	$15,496,500	$41,510,652
Liabilities				
Accounts Payable	$366,765	$38,075	$124,863	$529,703
Accrued Wages	205,730	0	15,557	221,287
Contracts Payable	0	461,099	668,885	1,129,984
Retainage Payable	0	75,498	70,265	145,763
Intergovernmental Payable	190,714	11,373	33,022	235,109
Deposits Held Payable from Restricted Assets	778,739	0	0	778,739
Matured Compensated Absences Payable	33,886	0	0	33,886
Matured Lease Payable	0	0	237	237
Matured Interest Payable	0	0	2	2
Interfund Payable	85,000	0	62,022	147,022
Unearned Revenue	0	0	411,348	411,348
Total Liabilities	1,660,834	586,045	1,386,201	3,633,080
Deferred Inflows of Resources				
Property Taxes	3,779,855	0	2,941,901	6,721,756
Leases	378,590	0	0	378,590
Payments in Lieu of Taxes	0	0	643,514	643,514
Unavailable Revenue	6,391,775	2,531,603	1,807,042	10,730,420
Total Deferred Inflows of Resources	10,550,220	2,531,603	5,392,457	18,474,280
Fund Balances				
Nonspendable	587,551	0	188,523	776,074
Restricted	0	988,913	7,628,309	8,617,222
Committed	0	0	34,041	34,041
Assigned	3,763,597	0	949,399	4,712,996
Unassigned (Deficit)	5,345,389	0	(82,430)	5,262,959
Total Fund Balances	9,696,537	988,913	8,717,842	19,403,292
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$21,907,591	$4,106,561	$15,496,500	$41,510,652

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, 2022

Total Governmental Fund Balances		$19,403,292
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		59,093,590
Economic development properties are not financial resources and therefore are not reported in the funds.		2,030,400
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	599,653	
Income Taxes	5,300,644	
Special Assessments	3,628,803	
Intergovernmental	1,201,320	
Total		10,730,420
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(107,640)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(823,205)
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	93,627	
Net OPEB Asset	729,728	
Deferred Outflows - Pension	5,932,117	
Deferred Inflows - Pension	(8,525,327)	
Net Pension Liability	(18,048,052)	
Deferred Outflows - OPEB	1,427,924	
Net OPEB Liability	(2,797,549)	
Deferred Inflows - OPEB	(1,971,552)	
Total		(23,159,084)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(12,420,000)	
Special Obligation Bonds Payable	(985,000)	
OPWC Loans Payable	(1,444,356)	
Notes Payable	(3,743,523)	
OWDA Loans Payable	(522,515)	
OAQDA Loans Payable	(240,853)	
Police and Fire Pension Loan Payable	(187,609)	
Financed Purchases	(5,484,255)	
Leases Payable	(42,142)	
Asset Retirement Obligation	(70,000)	
Compensated Absences	(1,567,080)	
Deferred Gain on Refunding	(54,085)	
Total		(26,761,418)
Net Position of Governmental Activities		$40,406,355

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, 2022

	General	Flood Control	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$3,912,968	$0	$3,080,724	$6,993,692
Income Taxes	15,270,588	0	0	15,270,588
Special Assessments	59,469	2,096,930	835,820	2,992,219
Intergovernmental	1,644,363	414,186	3,689,317	5,747,866
Investment Earnings/Interest	(197,651)	0	5,275	(192,376)
Fees, Licenses and Permits	718,104	0	0	718,104
Fines, Forfeitures and Settlements	620,246	0	284,442	904,688
Rentals	19,744	0	547	20,291
Leases	33,940	0	0	33,940
Charges for Services	410,873	0	341,869	752,742
Contributions and Donations	12,150	0	6,000	18,150
Payments in Lieu of Taxes	0	0	643,515	643,515
Other	720,418	6,000	72,977	799,395
Total Revenues	23,225,212	2,517,116	8,960,486	34,702,814
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,401,701	0	1,068,935	4,470,636
Judicial System	697,240	0	299,213	996,453
Security of Persons and Property:				
Police	5,409,910	0	1,398,810	6,808,720
Fire	4,261,565	0	1,086,037	5,347,602
Public Health Services	89,052	0	0	89,052
Leisure Time Activities	459,532	0	320,408	779,940
Community Development	634,822	0	0	634,822
Building Department	1,241,394	0	0	1,241,394
Transportation	1,007,043	0	1,355,084	2,362,127
Basic Utility Services	1,777,615	0	792,991	2,570,606
Swimming Pools	257,769	0	0	257,769
Capital Outlay	0	2,395,828	4,911,042	7,306,870
Debt Service:				
Principal Retirement	26,351	210,909	2,767,977	3,005,237
Interest	9,741	18,392	605,831	633,964
Total Expenditures	19,273,735	2,625,129	14,606,328	36,505,192
Excess of Revenues Over (Under) Expenditures	3,951,477	(108,013)	(5,645,842)	(1,802,378)
Other Financing Sources (Uses)				
Sale of Capital Assets	29,303	0	0	29,303
Bond Anticipation Note Issued	0	0	3,738,000	3,738,000
Premium on Bond Anticipation Note Issued	0	0	22,092	22,092
Transfers In	0	0	2,272,573	2,272,573
Transfers Out	(2,272,573)	0	0	(2,272,573)
Total Other Financing Sources (Uses)	(2,243,270)	0	6,032,665	3,789,395
Net Change in Fund Balances	1,708,207	(108,013)	386,823	1,987,017
Fund Balances Beginning of Year	7,988,330	1,096,926	8,331,019	17,416,275
Fund Balances End of Year	$9,696,537	$988,913	$8,717,842	$19,403,292

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, 2022

Net Change in Fund Balances - Total Governmental Funds		$1,987,017
Amounts reported for governmental activities in the statement of activities are different because:		
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	5,452,454	
Economic Development Properties Additions	532,500	
Current Year Depreciation	(2,547,859)	
Total		3,437,095
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	(166,200)	
Capital Assets	(44,265)	
Total		(210,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(113,967)	
Income Taxes	251,715	
Intergovernmental	(4,235)	
Special Assessments	(218,237)	
Total		(84,724)
Contractually required contributions are reported as expenditures in governmental funds; however the statement of net position reports these amounts as deferred outflows		
Pension	1,966,990	
OPEB	34,548	
Total		2,001,538
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	(570,676)	
OPEB	516,259	
Total		(54,417)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,005,237
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	(43,806)	
Amortization of Deferred Gain on Refunding	2,846	
Amortization of Premium	48,630	
Total		7,670
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	(379,574)	
Vacation Benefits	(41,732)	
Total		(421,306)
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	(3,738,000)	
Premium on BAN Notes Issued	(22,092)	
Total		(3,760,092)
Change in Net Position of Governmental Activities		$5,907,553

See accompanying notes to the basic financial statement

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, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Property Taxes	$3,751,025	$3,690,608	$4,262,588	$571,980
Income Taxes	12,900,000	13,826,296	14,653,040	826,744
Special Assessments	68,000	56,114	59,469	3,355
Intergovernmental	1,725,772	1,552,156	1,644,967	92,811
Investment Earnings/Interest	38,000	64,276	68,119	3,843
Fees, Licenses and Permits	739,950	687,199	728,290	41,091
Fines, Forfeitures and Settlements	645,690	569,360	603,405	34,045
Rentals	13,700	3,269	3,464	195
Charges for Services	374,820	351,738	372,770	21,032
Contributions and Donations	12,000	11,464	12,150	686
Other	262,750	211,304	223,932	12,628
Total Revenues	20,531,707	21,023,784	22,632,194	1,608,410
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,001,679	4,192,058	3,268,886	923,172
Judicial System	817,894	818,696	690,603	128,093
Security of Persons and Property:				
Police	6,763,814	6,837,267	5,666,804	1,170,463
Fire	5,158,355	5,233,623	4,398,030	835,593
Public Health Services	133,419	185,382	109,415	75,967
Leisure Time Activities	690,738	721,026	538,391	182,635
Community Development	1,072,915	1,287,487	912,281	375,206
Building Department	1,429,368	1,504,666	1,088,409	416,257
Transportation	1,265,843	1,533,240	1,199,247	333,993
Basic Utility Services	1,946,286	2,128,528	1,940,511	188,017
Total Expenditures	23,280,311	24,441,973	19,812,577	4,629,396
Excess of Revenues Over (Under) Expenditures	(2,748,604)	(3,418,189)	2,819,617	6,237,806
Other Financing Sources (Uses)				
Sale of Capital Assets	10,000	27,642	29,303	1,661
Transfers Out	(2,542,573)	(2,542,573)	(2,542,573)	0
Total Other Financing Sources (Uses)	(2,532,573)	(2,514,931)	(2,513,270)	1,661
Net Change in Fund Balance	(5,281,177)	(5,933,120)	306,347	6,239,467
Fund Balance Beginning of Year	5,844,340	5,844,340	5,844,340	0
Prior Year Encumbrances Appropriated	1,339,295	1,339,295	1,339,295	0
Fund Balance End of Year	$1,902,458	$1,250,515	$7,489,982	$6,239,467

See accompanying notes to the basic financial statements

City of South Euclid, Ohio

Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022

Assets	
Equity in Pooled Cash and Cash Equivalents	$3,733
Cash and Cash Equivalents in Segregated Accounts	169,068
Total Assets	172,801
Liabilities	
Accounts Payable	6,155
Intergovernmental Payable	166,646
Total Liabilities	172,801
Net Position	
Restricted for Individuals, Organizations or Other Governments	$0

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, 2022

Additions	
Fines and Forfeitures for Individuals	$24,895
Fines and Forfeitures for Other Governments	482,840
Total Additions	507,735
Deletions	
Distributions to Individuals	9,292
Distributions to Other Governments	498,443
Total Deductions	507,735
Net Change in Fiduciary Net Position	0
Net Position Beginning of Year	0
Net Position End of Year	$0

See accompanying notes to the basic financial statements

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 eight 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 Areawide Coordinating Agency, the Northeast Ohio Public Energy Council, the First Suburbs Consortium of Northeast Ohio Council of Governments, the Suburban Water Regional Council of Governments, the Chagrin Valley Dispatch Center and the Regional Income Tax Agency (RITA) are jointly governed organizations. These organizations are presented in Notes 9 and 17 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.

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.

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. When the fines and fees are collected, no further action is needed to release the assets to the beneficiaries.

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.

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 assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB, leases, 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, 2022, but which were levied to finance 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments 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. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 15 and 16)

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 positon have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Cash and Cash Equivalents

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

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

During the year, the City invested in federal home loan bank bonds, U.S. Treasury notes, 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. Investment Earnings/Interest revenue credited to the general fund during 2022 amounted to ($197,651), which includes ($114,096) 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, 2022, 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.

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, 2022, 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 (except for intangible right-to-use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of 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.

The City is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

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. 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.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, leases, and long-term loans are recognized as a liability on the governmental fund financial statements when due.

OneOhio Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of $3,597 is reflected as fines, forfeitures and settlements revenue in the OneOhio opioid settlement special revenue fund in the accompanying financial statements.

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 2023's budget and for swimming pools, community diversion programs and salaries and benefits.

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. Restricted net position for pension plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Leases

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

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

initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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.

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. Certain non-budgeted activity was not included in the appropriated activity of the fund.

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	$1,708,207
Net Adjustment for Revenue Accruals	(933,983)
Beginning Fair Value Adjustment for Investments	(8,179)
Ending Fair Value Adjustment for Investments	282,303
Beginning Unrecorded Cash	21,127
Ending Unrecorded Cash	(34,644)
Beginning Non-Budgeted Activity	1,066,998
Ending Non-Budgeted Activity	(1,024,515)
Perspective Difference:	
Swimming Pools	(218,581)
Net Adjustment for Expenditure Accruals	564,957
Encumbrances	(1,117,343)
Budget Basis	$306,347

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:

Fund Balances	General	Flood Control	Other Governmental Funds	Total
Nonspendable				
Unclaimed Monies	$218,212	$0	$0	$218,212
Prepaids	214,234	0	5,873	220,107
Inventory	155,105	0	182,650	337,755
Total Nonspendable	587,551	0	188,523	776,074
Restricted for				
Sewer Rental	0	0	199,536	199,536
Home Improvement	0	0	21,934	21,934
Public Safety	0	0	895,980	895,980
Street Maintenance	0	0	1,239,771	1,239,771
Debt Service Payments	0	0	44,147	44,147
Street Lighting	0	0	579,509	579,509
Capital Improvements	0	988,913	5,596,831	6,585,744
Total Restricted	0	988,913	8,577,708	9,566,621
Committed to				
Other Purposes	0	0	34,041	34,041
Assigned to				
Purchases on Order:				
Personal Services	13,393	0	0	13,393
Materials and Supplies	126,030	0	0	126,030
Contractual Services	797,390	0	0	797,390
Swimming Pools	69,404	0	0	69,404
Community Diversion Programs	5,973	0	0	5,973
Salaries and Benefits	242,666	0	0	242,666
2023 Operations	2,508,741	0	0	2,508,741
Total Assigned	3,763,597	0	0	3,763,597
Unassigned (Deficit)	5,345,389	0	(82,430)	5,262,959
Total Fund Balances	$9,696,537	$988,913	$8,717,842	$19,403,292

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

Investments

Investments are reported at fair value. As of December 31, 2022, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Money Market Mutual Fund	$270,232	Less than one year	AA+	N/A
Fair Value - Level Two Inputs				
Federal Home Loan Bank Bonds	1,890,955	Less than five years	AA+	32.24 %
United States Treasury Notes	1,325,529	Less than one year	AA+	22.60
Negotiable Certificates of Deposit	2,378,327	Less than five years	N/A	40.54
Total Fair Value - Level Two Inputs	5,594,811			
Total Portfolio	$5,865,043			

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, 2022. The Money Market Mutual

Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

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

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

Note 7 - Receivables

Receivables at December 31, 2022, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, leases 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, leases and delinquent property taxes are expected to be collected within one year.

At December 31, 2022 the total amount of delinquent special assessments was $616,639. 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 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes were levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

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. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was $18.85 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2022 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	$369,006,840
Other Real Estate	61,913,820
Tangible Personal Property	
Public Utility	14,543,870
Total Assessed Values	$445,464,530

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, 2022, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2022 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	$475,052
Local Government	452,310
Homestead and Rollback	373,122
State and Local Highway Tax	56,575
Permissive Motor Vehicle License Tax	9,982
State of Ohio	4,475
Total	$1,371,516

Leases Receivable

The City is reporting leases receivable of $378,590 in the general fund at December 31, 2022. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the City recognized lease revenue of $33,940 and interest revenue of $8,781 in the general fund related to lease payments received. A description of the City's leasing arrangements is as follows:

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

Company	Lease Commencement Date	Years	Lease Ending Date	Payment Method
T-Mobile	2004	30	2034	Monthly
American Tower	1995	35	2030	Annually
AT & T	2008	25	2033	Monthly

A summary of future lease revenue is as follows:

	General	
Year	Principal	Interest
2023	$35,075	$8,009
2024	36,880	7,206
2025	43,210	6,372
2026	44,207	5,374
2027	45,229	4,352
2028-2032	154,328	7,877
2033-2037	19,661	193
	$378,590	$39,383

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 2022, the City of South Euclid paid $237,370 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.

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Additions	Deductions	Balance 12/31/2022
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$517,278	$0	$0	$517,278
Construction in Progress	5,963,344	2,530,903	(7,669,784)	824,463
Total Capital Assets not being Depreciated	6,480,622	2,530,903	(7,669,784)	1,341,741
Capital Assets being Depreciated:				
Buildings and Improvements	6,646,405	7,877,301	0	14,523,706
Equipment	3,240,050	97,360	(8,577)	3,328,833
Vehicles	5,476,975	264,285	(157,551)	5,583,709
Intangible Right to Use Lease - Equipment**	61,147	0	0	61,147
Infrastructure:				
Streets	35,189,513	42,900	0	35,232,413
Bridges, Sewers and Culverts	37,663,388	2,309,489	0	39,972,877
Traffic Signals	414,680	0	0	414,680
Total Capital Assets being Depreciated	88,692,158	10,591,335	(166,128)	99,117,365
Less Accumulated Depreciation/Amortization:				
Buildings and Improvements	(5,772,554)	(199,148)	0	(5,971,702)
Equipment	(2,047,785)	(193,187)	3,718	(2,237,254)
Vehicles	(3,609,876)	(370,245)	118,145	(3,861,976)
Intangible Right to Use Lease - Equipment**	0	(18,863)	0	(18,863)
Infrastructure:				
Streets	(19,064,018)	(1,083,228)	0	(20,147,246)
Bridges, Sewers and Culverts	(8,407,707)	(675,018)	0	(9,082,725)
Traffic Signals	(37,580)	(8,170)	0	(45,750)
Total Accumulated Depreciation/Amortization	(38,939,520)	(2,547,859) *	121,863	(41,365,516)
Total Capital Assets being Depreciated, Net	49,752,638	8,043,476	(44,265)	57,751,849
Governmental Activities Capital Assets, Net	$56,233,260	$10,574,379	($7,714,049)	$59,093,590

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

General Government:	
Legislative and Executive	$16,590
Judicial System	9,543
Security of Persons and Property:	
Police	36,540
Fire	28,649
Leisure Time Activities	11,826
Building Department	6,337
Transportation	1,502,147
Basic Utility Services	855,785
Swimming Pools	80,442
Total Depreciation/Amortization Expense	$2,547,859

** Of the current year depreciation/amortization total of $2,547,859, $18,863 is presented as general government expense on the Statement of Activities related to the City's intangible assets of copiers and postage machines, which are included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

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, 2022, the City has nine lots on Greenvale, valued at $62,800 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:			
OPWC Loans:			
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
OWDA Loan:			
Stormwater Improvement	3.25%	2,052,371	2026
Other Long-term Obligations:			
Police and Fire Pension	4.25%	391,010	1973 to 2035
2022 Various Purpose General Obligation Bond Anticipaton Notes	2.00%	3,738,000	2023

A schedule of changes in bonds and other long-term obligations of the City during 2022 follows:

	Amount Outstanding 12/31/2021	Additions	Deletions	Amount Outstanding 12/31/2022	Amounts Due In One Year
Governmental Activities:					
General Obligation Bonds:					
2012 Real Estate Acquisition and Urban Redevelopment Bonds					
Current Interest Serial Bonds	$345,000	$0	($345,000)	$0	$0
Premium	29,305	0	(29,305)	0	0
Total 2012 Real Estate Acquisition and Urban Redevelopment Bonds	374,305	0	(374,305)	0	0
2019 Various Purpose					
Current Interest Serial Bonds	3,630,000	0	(110,000)	3,520,000	465,000
Term Bonds	8,900,000	0	0	8,900,000	0
Total 2019 Various Purpose General Obligation Refunding Bonds	12,530,000	0	(110,000)	12,420,000	465,000
Total General Obligation Bonds	12,904,305	0	(484,305)	12,420,000	465,000
Long-term Obligations from Direct Placements:					
Special Obligation Bond:					
2014 Housing Development	1,110,000	0	(125,000)	985,000	130,000
Ohio Air Quality Development Authority Loans:					
OAQDA 2011 Series B	297,720	0	(56,867)	240,853	58,175
Total Long-term Obligations from Direct Placements	1,407,720	0	(181,867)	1,225,853	188,175
Loans from Direct Borrowings:					
OPWC Loans:					
Liberty Road Bridge Replacement	18,897	0	(18,897)	0	0
Whitehall Road Bridge Replacement	37,764	0	(4,721)	33,043	9,441
Bexley Infrastructure	155,928	0	(31,186)	124,742	62,371
Cedar Center	145,411	0	(6,610)	138,801	13,219
Nine Mile Creek Rehabilitation	145,164	0	(6,598)	138,566	13,197
Rainbow Creek	60,742	0	(2,761)	57,981	5,522
Green Road	387,795	0	(17,627)	370,168	35,254
Argonne Road	512,765	0	(12,209)	500,556	24,417
South Green Traffic Signal	80,499	0	0	80,499	0
Total OPWC Loans	1,544,965	0	(100,609)	1,444,356	163,421
OWDA Loan:					
Stormwater Improvement	642,950	0	(120,435)	522,515	124,381
Total Loans from Direct Borrowings	$2,187,915	$0	($221,044)	$1,966,871	$287,802

(continued)

	Amount Outstanding 12/31/2021	Additions	Deletions	Amount Outstanding 12/31/2022	Amounts Due In One Year
Governmental Activities: (continued)					
Other Long-term Obligations					
Net Pension Liability					
OPERS	$3,440,895	$0	($1,338,181)	$2,102,714	$0
OP&F	18,061,401	0	(2,116,063)	15,945,338	0
Total Net Pension Liability	21,502,296	0	(3,454,244)	18,048,052	0
Net OPEB Liability					
OP&F	2,807,114	0	(9,565)	2,797,549	0
Total Net OPEB Liability	2,807,114	0	(9,565)	2,797,549	0
Various Purpose Bond Anticipaiton Notes					
2022 Notes	0	3,738,000	0	3,738,000	0
2022 Premium on Notes	0	22,092	(16,569)	5,523	0
2021 Notes	1,638,000	0	(1,638,000)	0	0
2021 Premium on Notes	2,756	0	(2,756)	0	0
Total Various Purpose Bond Anticipation Notes	1,640,756	3,760,092	(1,657,325)	3,743,523	0
Police and Fire Pension	198,829	0	(11,220)	187,609	11,702
Financed Purchases from Direct Borrowing	5,963,356	0	(479,101)	5,484,255	445,952
Leases	61,147	0	(19,005)	42,142	14,363
Compensated Absences	1,187,506	448,686	(69,112)	1,567,080	72,804
Asset Retirement Obligation	70,000	0	0	70,000	0
Total Other Long-term Obligations	33,431,004	4,208,778	(5,699,572)	31,940,210	544,821
Total Governmental Activities	$49,930,944	$4,208,778	($6,586,788)	$47,552,934	$1,485,798

In 2022, the City issued $3,738,000 in general obligation bond anticipation notes at an interest rate of 2 percent. These notes mature on March 30, 2023. 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. The notes are being paid from the road improvement capital projects fund.

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, 2022, $11,605,000 of the defeased bonds are still outstanding.

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

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

In 2011, the City issued OAQDA Series B loan through direct placement in the amount of $386,145. The OAQDA loan was 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 $1,444,356 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, 2022 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 $522,515 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 financed purchases will be paid from resources received in the energy efficiency special revenue fund and the general capital improvements capital projects fund. The lease payables will be paid from resources received in the general fund and the court special revenue fund.

The City has outstanding agreement to lease copiers and postage machines. Due to the implementation of GASB Statement 87, these leases have met the criteria of leases thus requiring them to be recorded by the City. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	$14,363	$1,468
2024	13,405	958
2025	13,932	430
2026	442	23
	$42,142	$2,879

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 15 and 16.

As of December 31, 2022, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $46,817,923 and the unvoted legal debt margin was $24,544,696. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2022 are as follows:

Governmental Activities

	General Obligation Bonds		*From Direct Borrowings:* OPWC Loans	OWDA Loans		Police and Fire Pension	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2023	$465,000	$378,609	$163,421	$124,381	$15,979	$11,702	$7,848
2024	475,000	368,177	163,421	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	96,329	137,012	3,349	13,276	6,275
2027	520,000	332,348	91,609	0	0	13,846	5,702
2028-2032	2,800,000	1,439,627	458,045	0	0	78,681	19,073
2033-2037	3,275,000	969,391	155,685	0	0	45,170	2,832
2038-2042	3,895,000	355,201	122,089	0	0	0	0
2043	0	0	12,208	0	0	0	0
Total	$12,420,000	$4,545,444	$1,363,857	$522,515	$38,927	$187,609	$55,897

Governmental Activities (continued)

	From Direct Placements				*From Dirct Borrowing*	
	OAQDA Loans		Special Obligation Bonds		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	$58,175	$11,552	$130,000	$34,968	$445,952	$134,819
2024	59,513	8,342	130,000	30,352	446,875	123,670
2025	60,882	5,058	135,000	25,737	417,403	112,490
2026	62,283	1,699	140,000	20,945	417,403	102,264
2027	0	0	145,000	15,975	417,403	92,038
2028-2032	0	0	305,000	16,330	2,087,015	306,790
2033-2037	0	0	0	0	1,252,204	61,358
Total	$240,853	$26,651	$985,000	$144,307	$5,484,255	$933,429

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, 2022.

Litigation

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

Note 14 – Employee Benefits

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.

Deferred Compensation

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

Note 15 - Defined Benefit Pension Plans

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

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

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable.* The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Ohio Public Employees Retirement System (OPERS)

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. 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 amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

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

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

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 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 2022, the City's contractually required contribution was $536,546 for the traditional plan, $15,982 for the combined plan and $3,889 for the member-directed plan. Of these amounts, $52,541 is reported as an intergovernmental payable for the traditional plan, $1,564 for the combined plan, and $381 for the member-directed plan.

Ohio Police & Fire Pension Fund (OP&F)

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

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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 under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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

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

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

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

	Police	Firefighters
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2022 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $1,414,462 for 2022. Of this amount, $138,601 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, 2022, the specific liability of the City was $187,609 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, 2021, 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, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0241680%	0.0237630%	0.2552307%	
Prior Measurement Date	0.0232370%	0.0218460%	0.2649430%	
Change in Proportionate Share	0.0009310%	0.0019170%	-0.0097123%	
Proportionate Share of the:				
Net Pension Liability	$2,102,714	$0	$15,945,338	$18,048,052
Net Pension Asset	0	(93,627)	0	(93,627)
Pension Expense	(367,629)	(3,749)	942,054	570,676

2022 pension expense for the member-directed defined contribution plan was $3,889. The aggregate pension expense for all pension plans was $574,565 for 2022.

At December 31, 2022, 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	$107,193	$581	$459,770	$567,544
Changes of assumptions	262,942	4,705	2,914,123	3,181,770
Changes in proportion and differences between City contributions and proportionate share of contributions	115,203	1,709	98,901	215,813
City contributions subsequent to the measurement date	536,546	15,982	1,414,462	1,966,990
Total Deferred Outflows of Resources	$1,021,884	$22,977	$4,887,256	$5,932,117
Deferred Inflows of Resources				
Differences between expected and actual experience	$46,117	$10,472	$828,939	$885,528
Net difference between projected and actual earnings on pension plan investments	2,501,102	20,072	4,180,621	6,701,795
Changes in proportion and differences between City contributions and proportionate share of contributions	41,863	4,610	891,531	938,004
Total Deferred Inflows of Resources	$2,589,082	$35,154	$5,901,091	$8,525,327

$1,966,990 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 2023. 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:				
2023	($290,505)	($6,435)	($287,435)	($584,375)
2024	(827,261)	(8,790)	(1,346,826)	(2,182,877)
2025	(588,110)	(5,863)	(590,250)	(1,184,223)
2026	(397,868)	(4,408)	(447,332)	(849,608)
2027	0	(1,008)	243,546	242,538
Thereafter	0	(1,655)	0	(1,655)
Total	($2,103,744)	($28,159)	($2,428,297)	($4,560,200)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	0.5 percent, simple through 2021, then 2.15 percent, simple	0.5 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

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

For 2020, 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 the above-described tables.

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

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 geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00%	4.21%

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The discount rate for the prior year was 7.2 percent. 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 6.9 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$5,543,898	$2,102,714	($760,809)
OPERS Combined Plan	(69,863)	(93,627)	(112,161)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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, 2021, are summarized on the following page:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	125.00 %	

Note: Assumptions are geometric.
* levered 2x

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

Discount Rate For 2021, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$23,646,714	$15,945,338	$9,531,994

Note 16 – Defined Benefit OPEB Plans

See Note 15 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, 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.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The heath 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 discontinued 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.

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. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became 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 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 below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, 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 2022, 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 2022 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 $1,111 for 2022. Of this amount, $0 is reported as an intergovernmental payable.

Ohio Police & Fire Pension Fund (OP&F)

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

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

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 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 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was $33,437 for 2022. Of this amount, $3,253 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, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.0232980%	0.2552307%	
Prior Measurement Date	0.0223840%	0.2649430%	
Change in Proportionate Share	0.0009140%	-0.0097123%	
Proportionate Share of the:			
Net OPEB Liability	$0	$2,797,549	$2,797,549
Net OPEB Asset	(729,728)	0	(729,728)
OPEB Expense	(681,553)	165,294	(516,259)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$127,263	$127,263
Changes of assumptions	0	1,238,280	1,238,280
Changes in proportion and differences between City contributions and proportionate share of contributions	15,379	12,454	27,833
City contributions subsequent to the measurement date	1,111	33,437	34,548
Total Deferred Outflows of Resources	$16,490	$1,411,434	$1,427,924
Deferred Inflows of Resources			
Differences between expected and actual experience	$110,689	$369,735	$480,424
Changes of assumptions	295,386	324,919	620,305
Net difference between projected and actual earnings on OPEB plan investments	347,883	252,711	600,594
Changes in proportion and differences between City contributions and proportionate share of contributions	30,674	239,555	270,229
Total Deferred Inflows of Resources	$784,632	$1,186,920	$1,971,552

$34,548 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2023	($486,868)	$49,205	($437,663)
2024	(156,412)	11,687	(144,725)
2025	(76,011)	29,900	(46,111)
2026	(49,962)	8,477	(41,485)
2027	0	48,591	48,591
Thereafter	0	43,217	43,217
Total	($769,253)	$191,077	($578,176)

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2034	8.5 percent, initial 3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, 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, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 1.84 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (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 asset	$429,149	$729,728	$979,215

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 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 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	$737,615	$729,728	$720,374

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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 15.

Discount Rate For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 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 7.5 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 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. 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 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	$3,516,580	$2,797,549	$2,206,502

Note 17 - 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 2022, the City contributed $200,086, 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 Areawide Coordinating Agency

The City is a member on The Northeast Ohio Areawide Coordinating Agency (NOACA). NOACA was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 45 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. In 2022, the City contributed $3,773, which represents .4 percent of total contributions. Financial information can be obtained by contacting the Comptroller, Northeast Ohio Areawide Coordinating Agency, at 1299 Superior Avenue, Cleveland, Ohio 44114.

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.

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 2022. 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 2022, the City of South Euclid did not make any contributions 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 2022. 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.

Chagrin Valley Dispatch Center

The City is a member of the Chagrin Valley Dispatch Center (CVDC). The CVDC 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 CVDC is comprised of over 30 communities.

The CVDC 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 $600,000 to the CVDC during 2022. Financial information can be obtained by contacting Nick DiCicco (DiCiccoN@cvdispatch.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 2022, the City paid RITA $398,807 for income tax collection services.

Note 18 - Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2022, consisted of an interfund receivable/payable of $62,022 between the general fund and other governmental funds pending the receipt of deposits.

The interfund receivable/payable of $85,000 between other governmental funds and the general fund was to pay a settlement agreement approved by the South Euclid Municipal Court and the City in 2022.

The interfund balances will be repaid within one year.

Interfund Transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Transfers To	Transfers From General
Other Governmental Funds:	
Street Lighting	$94,000
General Obligation Bond Retirement	50,000
Land Acquisition	440,000
General Capital Improvements	1,128,000
Energy Efficency	560,573
Total	$2,272,573

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

Note 19 – 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	$1,117,343
Flood Control	615,448
Other Governmental Funds	2,399,519
Total	$4,132,310

Contractual Commitments

As of December 31, 2022, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid To Date	Remaining Contract
F. Buddie Contracting LTD.	$1,057,621	$0	$1,057,621
Trax Construction	2,475,574	1,950,434	525,140
CA Agresta Company	1,067,745	968,114	99,631
Total	$4,600,940	$2,918,548	$1,682,392

The remaining commitments were encumbered at year-end. The amounts of 1,029,581 and $127,827 in contracts and retainage payable for governmental activities, respectively, have been capitalized.

Note 20 – Change in Accounting Principle and Restatement of Net Position

Change in Accounting Principles

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*. The City also implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020,* GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* and *Implementation Guide No. 2020-1*

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City recognized $412,530 in leases receivable at January 1, 2022; however, this entire amount was offset by the deferred inflows related to leases. The City also recognized $61,147 in leases payable at January 1, 2022 which was offset by the intangible asset, right to use lease - equipment.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 92 addresses a variety of topics including reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers and references to nonrecurring fair value measurements of assets or liabilities in authoritative literature. These changes did not impact the City's financial statements.

GASB 97, among other items, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.

The changes for GASB 87, GASB 91, and GASB 97 were incorporated in the City's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Net Position

During 2022, it was determined that financed purchases as well as capital assets were understated. These restatements had the following effect on net position as of December 31, 2021:

	Governmental Activities
Net Position December 31, 2021	
Adjustments:	$29,841,882
Depreciable Capital Assets, Net	4,684,414
Financed Purchase	(27,494)
Restated Net Position December 31,2021	$34,498,802

Note 21 – 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 ended in April 2023. During 2022, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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 22 – Accountability

The following funds had deficit fund balances as of December 31, 2022:

Special Revenue Funds	
Fire Damage Deposits	$62,022
Miscellaneous Federal Grants	20,408

The special revenue funds have deficits caused by the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 23 – Subsequent Event

On March 29, 2023, the City issued various purpose street improvement general obligation bonds in the amount of $3,798,000. The bonds were used to retire $3,738,000 in general obligation bond anticipation notes that were due to mature on March 30, 2023 as well as to issue $60,000 in additional bonds 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 Nine Years (1)

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0241680%	0.0232370%	0.0241400%	0.0244640%
City's Proportionate Share of the Net Pension Liability	$2,102,714	$3,440,895	$4,771,435	$6,700,193
City's Covered Payroll	$3,510,600	$3,272,857	$3,396,407	$3,303,364
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.90%	105.13%	140.48%	202.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

(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.

2018	2017	2016	2015	2014
0.0264780%	0.0277760%	0.0279860%	0.0284490%	0.0284490%
$4,153,886	$6,307,456	$4,847,527	$3,431,267	$3,353,766
$3,499,038	$3,600,550	$3,473,236	$3,487,850	$3,459,745
118.72%	175.18%	139.57%	98.38%	96.94%
84.66%	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 Five Years (1)

	2022	2021	2020
City's Proportion of the Net Pension Asset	0.0237630%	0.0218460%	0.0209290%
City's Proportionate Share of the Net Pension Asset	$93,627	$63,061	$43,641
City's Covered Payroll	$108,336	$96,279	$93,164
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-86.42%	-65.50%	-46.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	169.88%	157.67%	145.28%

(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.

2019	2018
0.0213410%	0.0218760%
$23,864	$29,782
$91,271	$89,592
-26.15%	-33.24%
126.64%	137.28%

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 Six Years (1)

	2022	2021	2020	2019
City's Proportion of the Net OPEB Liability (Asset)	0.0232980%	0.0223840%	0.0233210%	0.0238760%
City's Proportionate Share of the Net OPEB Liability (Asset)	($729,728)	($398,788)	$3,221,238	$3,112,867
City's Covered Payroll	$3,636,286	$3,385,186	$3,523,346	$3,462,210
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-20.07%	-11.78%	91.43%	89.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%

(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.

2018	2017
0.0257100%	0.0269200%
$2,791,917	$2,719,011
$3,641,155	$3,600,550
76.68%	75.52%
54.14%	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 Nine Years (1)

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.2552307%	0.2649430%	0.2628191%	0.2717670%
City's Proportionate Share of the Net Pension Liability	$15,945,338	$18,061,401	$17,704,898	$22,183,369
City's Covered Payroll	$7,016,961	$5,985,337	$6,534,593	$6,070,974
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	227.24%	301.76%	270.94%	365.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

(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.

2018	2017	2016	2015	2014
0.2741820%	0.2781360%	0.2730100%	0.2726124%	0.2726124%
$16,827,786	$17,616,856	$17,562,924	$14,122,459	$13,277,079
$5,992,791	$5,871,187	$5,562,718	$5,435,025	$5,514,323
280.80%	300.06%	315.73%	259.84%	240.77%
70.91%	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 Six Years (1)

	2022	2021	2020	2019
City's Proportion of the Net OPEB Liability	0.2552307%	0.2649430%	0.2628191%	0.2717670%
City's Proportionate Share of the Net OPEB Liability	$2,797,549	$2,807,114	$2,596,057	$2,474,856
City's Covered Payroll	$7,016,961	$5,985,337	$6,534,593	$6,070,974
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.87%	46.90%	39.73%	40.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.40%	47.08%	46.57%

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

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

See accompanying notes to the required supplementary information.

2018	2017
0.2741820%	0.2781360%
$15,534,767	$13,202,490
$5,992,791	$5,871,187
259.22%	224.87%
14.13%	15.96%

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

	2022	2021	2020	2019
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	$536,546	$491,484	$458,200	$475,497
Contributions in Relation to the Contractually Required Contribution	(536,546)	(491,484)	(458,200)	(475,497)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$3,832,471	$3,510,600	$3,272,857	$3,396,407
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net Pension Liability - Combined Plan				
Contractually Required Contribution	$15,982	$15,167	$13,479	$13,043
Contributions in Relation to the Contractually Required Contribution	(15,982)	(15,167)	(13,479)	(13,043)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$114,157	$108,336	$96,279	$93,164
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	$1,111	$694	$642	$1,351
Contributions in Relation to the Contractually Required Contribution	(1,111)	(694)	(642)	(1,351)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$3,974,403	$3,636,286	$3,385,186	$3,523,346
OPEB Contributions as a Percentage of Covered Payroll	0.03%	0.02%	0.02%	0.04%

(1) 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.
(2) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
$462,471	$454,875	$432,066	$416,788	$418,542	$449,767
(462,471)	(454,875)	(432,066)	(416,788)	(418,542)	(449,767)
$0	$0	$0	$0	$0	$0
$3,303,364	$3,499,038	$3,600,550	$3,473,236	$3,487,850	$3,459,745
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$12,778	$11,647	$11,061	$7,829	$6,389	$6,692
(12,778)	(11,647)	(11,061)	(7,829)	(6,389)	(6,692)
$0	$0	$0	$0	$0	$0
$91,271	$89,592	$92,175	$65,242	$53,242	$51,477
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$2,703	$37,987	$72,011			
(2,703)	(37,987)	(72,011)			
$0	$0	$0			
$3,462,210	$3,641,155	$3,600,550			
0.08%	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

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$1,414,462	$1,480,525	$1,262,522	$1,378,898
Contributions in Relation to the Contractually Required Contribution	(1,414,462)	(1,480,525)	(1,262,522)	(1,378,898)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$6,687,480	$7,016,961	$5,985,337	$6,534,593
Pension Contributions as a Percentage of Covered Payroll	21.15%	21.10%	21.09%	21.10%
Net OPEB Liability				
Contractually Required Contribution	$33,437	$35,085	$29,927	$32,673
Contributions in Relation to the Contractually Required Contribution	(33,437)	(35,085)	(29,927)	(32,673)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	21.65%	21.60%	21.59%	21.60%

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
$1,283,505	$1,265,037	$1,239,217	$1,171,179	$1,140,865	$989,937
(1,283,505)	(1,265,037)	(1,239,217)	(1,171,179)	(1,140,865)	(989,937)
$0	$0	$0	$0	$0	$0
$6,070,974	$5,992,791	$5,871,187	$5,562,718	$5,435,025	$5,514,323
21.14%	21.11%	21.11%	21.05%	20.99%	17.95%
$30,355	$29,964	$29,355	$27,814	$27,175	$199,434
(30,355)	(29,964)	(29,355)	(27,814)	(27,175)	(199,434)
$0	$0	$0	$0	$0	$0
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%
21.64%	21.61%	21.61%	21.55%	21.49%	21.57%

Changes in Assumptions – OPERS Pension– Traditional Plan

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

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

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

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

2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple 5.50 to 5.00 percent

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported 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.

Changes in Assumptions – OPERS Pension – Combined Plan

	2022	2019	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 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	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

For 2022, 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.

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	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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.

Changes in Assumptions – OPERS OPEB

Wage Inflation:	
2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:	
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

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

Changes in Benefit Terms – OPERS OPEB

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

Changes in Benefit Terms – OP&F OPEB

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

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

City of South Euclid
Cuyahoga County
1349 South Green Road
South Euclid, Ohio 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, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 27, 2023, wherein we noted that financed purchases and capital assets were understated and as a result, the City is reporting a restatement of net position.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we considered a significant deficiency as item **2022-001**.

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 Responses. 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

Zupka & Associates
Certified Public Accountants

June 27, 2023

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

Finding No. 2022-001 – Significant Deficiency – Restatement

Condition/Criteria
The City reported a restatement for fiscal year 2022 beginning balance for capital assets in the amount of $4,684,414 on the government-wide financial statements.

Cause/Effect
The City used an escrow bank account to fund a capital project. The City recorded expense journal entries on the books for the activity that was occurring in the bank account related to the project. When the City was compiling the construction-in-progress activity for 2021, the City inadvertently overlooked the journal entries that were recorded relating to the project. This was discovered by the City when recording the 2022 construction-in-progress activity. The restatement resulted in 15.70 percent change in the City's net position.

Recommendation
We recommend the City perform a thorough review of all activity that could potentially be capital in order to avoid any material misstatement of the financial statements.

City's Response
The City agrees with the finding. We are working to create consistency in processing transactions to alleviate future issues similar to this situation.

CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

The prior issued audit report, as of December 31, 2021, included a material weakness.

Finding Number	Finding Summary	Status	Additional Information
2021-001	Municipal Court Bank Reconciliations	Partially Corrected.	Re-issued as a management letter comment.

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 8/15/2023

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