

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

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

Zupka & Associates
Certified Public Accountants



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

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

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Dependent on the outcome of the investigation, results may be reported on at a later date.

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
Ohio Auditor of State

A handwritten signature in black ink that reads "Tiffany L. Ridenbaugh".

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

August 22, 2025

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CITY OF SOUTH EUCLID
CUYAHOGA COUNTY, OHIO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024

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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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Euclid as of December 31, 2024, 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 3 to the basic financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Zupka & Associates

Zupka & Associates
Certified Public Accountants

June 25, 2025

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City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The discussion and analysis of the City of South Euclid's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider 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 2024 are as follows:

- During 2024, the City of South Euclid saw an increase in income tax revenues. Income taxes increased due to realizing the gain from removing the income tax credit. There was a decrease in road improvement fund expenditures because there were less road projects in progress during 2024.
- The increase in assets and deferred inflows of the City coupled with the decrease in deferred outflows and liabilities at December 31, 2024 resulted in the City's increase in net position from 2023 to 2024. This is due to increases in cash and cash equivalents as revenues outpaced expenses and property taxes receivable due to the reappraisal conducted by Cuyahoga County in 2024 for collections beginning in 2025.
- The City made capital purchases for building improvements, equipment and vehicles as well as infrastructure improvements as they continue to replace aging assets.

Using this Annual Financial Report

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

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

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

Statement of Net Position and the Statement of Activities

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

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

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

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

Reporting the City of South Euclid's Most Significant Funds

Fund Financial Statements

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

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 2024?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net position and the changes in that position. The change in position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. As can be seen from the increase in net position, the overall financial position has improved. This increase can be attributed to the increase in cash and cash equivalents as the City continues to pay down debt while trying to build cash reserves.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

The City of South Euclid as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2024 compared to 2023.

Table 1
Net Postion

	Governmental Activities		
	2024	2023	Change
Assets			
Current and Other Assets	\$47,628,038	\$44,179,380	\$3,448,658
Net Pension Asset	126,181	56,877	69,304
Net OPEB Asset	230,920	0	230,920
Capital Assets, Net	<u>60,322,429</u>	<u>60,128,693</u>	<u>193,736</u>
Total Assets	<u>108,307,568</u>	<u>104,364,950</u>	<u>3,942,618</u>
Deferred Outflows of Resources			
Pension	9,455,688	10,562,402	(1,106,714)
OPEB	<u>1,152,296</u>	<u>1,627,478</u>	<u>(475,182)</u>
Total Deferred Outflows of Resources	<u>10,607,984</u>	<u>12,189,880</u>	<u>(1,581,896)</u>
Liabilities			
Current Liabilities	2,873,248	3,453,866	580,618
Long-Term Liabilities:			
Due Within One Year	2,043,715	2,218,601	174,886
Due in More Than One Year			
Net Pension Liability	31,068,473	30,613,102	(455,371)
Net OPEB Liability	1,831,934	1,897,711	65,777
Other Amounts	<u>23,353,840</u>	<u>23,371,838</u>	<u>17,998</u>
Total Liabilities	<u>\$61,171,210</u>	<u>\$61,555,118</u>	<u>\$383,908</u>

(Continued)

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

Table 1
Net Position (Continued)

	Governmental Activities		
	2024	2023	Change
Deferred Inflows of Resources			
Property Taxes	\$8,032,335	\$6,781,170	(\$1,251,165)
Payments in Lieu of Taxes	622,824	650,406	27,582
Gain on Refunding	48,393	51,239	2,846
Leases	308,948	345,792	36,844
Pension	1,505,704	2,161,633	655,929
OPEB	1,840,637	2,079,244	238,607
Total Deferred Inflows of Resources	<u>12,358,841</u>	<u>12,069,484</u>	<u>(289,357)</u>
Net Position			
Net Investment in Capital Assets	38,965,654	36,889,881	2,075,773
Restricted for:			
Capital Projects	6,515,942	7,575,665	(1,059,723)
Debt Service	11,605	0	11,605
Law Enforcement	1,058,885	1,014,057	44,828
Street Maintenance	1,819,945	1,813,823	6,122
Street Lighting	1,409,669	1,350,050	59,619
Sewer Maintenance	675,878	470,952	204,926
Community Development	21,934	21,934	0
Pension and OPEB Plans	357,101	56,877	300,224
Other Purposes	3,120,647	3,624,177	(503,530)
Unrestricted (Deficit)	<u>(8,571,759)</u>	<u>(9,887,188)</u>	<u>1,315,429</u>
<i>Total Net Position</i>	<u><u>\$45,385,501</u></u>	<u><u>\$42,930,228</u></u>	<u><u>\$2,455,273</u></u>

New Accounting Pronouncements

For 2024, the City implemented GASB Statement No. 101 *Compensated Absences*. The City also implemented GASB Statement No. 100 *Accounting Changes and Error Corrections*, which does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for a change in accounting principle. The implementation of GASB 101 resulted in recognizing additional compensated absences liabilities of \$1,074,862 in governmental at January 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense. (See Note 3.)

Governmental Activities

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2024. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this 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

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

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.

Total net position increased in 2024 from 2023 due to increases in current and other assets coupled with a decrease in liabilities being offset by a decrease in deferred outflows of resources and an increase in deferred inflows of resources. The slight 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 mainly due to decreases of contracts payable, retainage payable, intergovernmental payable and unearned revenue.

Table 2 shows the changes in net position for the years ended December 31, 2024 and 2023 and corresponds to the Statement of Activities on page 17.

Table 2
Changes in Net Position

	Governmental Activities		
	2024	2023	Change
Revenues			
Program Revenues:			
Charges for Services and			
Operating Assessments	\$6,196,782	\$5,394,021	\$802,761
Operating Grants and Contributions	1,860,829	3,846,918	(1,986,089)
Capital Grants and Contributions	702,589	2,045,935	(1,343,346)
Total Program Revenues	<u>8,760,200</u>	<u>11,286,874</u>	<u>(2,526,674)</u>
General Revenues:			
Property Taxes	7,166,566	6,962,710	203,856
Income Taxes	17,018,107	15,864,996	1,153,111
Premissive Taxes	87,660	93,467	(5,807)
Grants and Entitlements	1,524,923	1,666,293	(141,370)
Payments in Lieu of Taxes	622,824	650,405	(27,581)
Unrestricted Contributions	12,050	12,050	0
Investment Earnings/Interest	1,138,329	988,911	149,418
Gain on Sale of Capital Assets	0	33,683	(33,683)
Miscellaneous	754,767	757,249	(2,482)
Total General Revenues	<u>28,325,226</u>	<u>27,029,764</u>	<u>1,295,462</u>
<i>Total Revenues</i>	<u>\$37,085,426</u>	<u>\$38,316,638</u>	<u>(\$1,231,212)</u>

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

Table 2
Changes in Net Position (Continued)

	Governmental Activities		
	2024	2023	Change
Program Expenses			
General Government:			
Legislative and Executive	\$4,126,140	\$3,862,274	(\$263,866)
Judicial System	836,051	936,378	100,327
Security of Persons and Property:			
Police	8,720,262	8,143,224	(577,038)
Fire	6,386,201	6,775,497	389,296
Public Health Services	39,569	23,428	(16,141)
Leisure Time Activities	1,142,075	1,432,634	290,559
Community Development	2,026,964	1,816,763	(210,201)
Building Department	1,341,766	1,565,646	223,880
Transportation	3,641,636	5,132,133	1,490,497
Basic Utility Services	4,273,580	5,152,023	878,443
Swimming Pools	346,039	404,724	58,685
Interest	675,008	693,129	18,121
Total Program Expenses	<u>33,555,291</u>	<u>35,937,853</u>	<u>2,382,562</u>
Change in Net Position	<u>3,530,135</u>	<u>2,378,785</u>	<u>1,151,350</u>
<i>Net Position Beginning of Year</i>			
<i>as Previously Reported</i>	42,930,228	40,551,443	2,378,785
Restatement - Change in Accounting Principle	<u>(1,074,862)</u>	<u>0</u>	<u>(1,074,862)</u>
<i>Restated Net Position Beginning of Year</i>	<u>41,855,366</u>	<u>40,551,443</u>	<u>1,303,923</u>
<i>Net Position End of Year</i>	<u>\$45,385,501</u>	<u>\$42,930,228</u>	<u>\$2,455,273</u>

New Accounting Pronouncements

The preceding table separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections* does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2023 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, *Compensated Absences*. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 3.)

Governmental Activities

Program revenues decreased in 2024 due to operating grants and contributions and capital grants and contributions. Operating grants and contributions increased due to grants received from the State and Cuyahoga County. There was a decrease in capital grants and contributions as less intergovernmental revenues were received to use for capital projects. General revenues increased mainly due to increases in property taxes, income taxes, and interest revenue being received. Program expenses decreased in 2024 mainly due to decreases in transportation and basic utility services.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

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 2024. The City remains committed to collecting all taxes due to it and during 2025 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 2024 and remained the City's second largest source of revenues.

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 \$345,000 devoted to ongoing sewer maintenance and \$2,074,000 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 decreases in total revenues and total expenditures from 2023. Revenues decreased due to a decrease in intergovernmental revenues. Expenditures decreased significantly with the largest decreases in capital outlay and principal retirement due less projects occurring during the year and a debt refinancing that occurred in the prior year. The general fund experienced increases in revenues from 2024 in property taxes and income taxes revenues. The City experienced increases in general fund expenditures compared to 2023 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 2023.

During 2024, the flood control capital projects fund balance increased as a result of revenues outpacing expenditures 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 custodial 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 2024, 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.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

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 2024 balances of capital assets as compared to 2023.

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

	Governmental Activities	
	2024	2023
Land	\$517,278	\$517,278
Construction in Progress	1,188,799	3,120,609
Buildings and Improvements	10,031,103	8,575,457
Equipment	1,427,357	1,326,402
Vehicles	2,452,513	1,891,786
Intangible Right to Use - Equipment	29,893	48,545
Intangible Right to Use - Software	75,230	96,725
Infrastructure		
Streets	12,939,992	14,015,185
Bridges, Sewers and Culverts	31,298,751	30,175,946
Traffic Signals	361,513	360,760
Total Capital Assets	\$60,322,429	\$60,128,693

*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 buildings and improvements, 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 13 to the basic financial statements.

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

Long-Term Obligations

Table 4 summarizes the long-term obligations outstanding.

Table 4
Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2024	2023
General Obligation Bonds	\$15,102,000	\$15,753,000
Special Obligation Bonds	725,000	855,000
OPWC Loans	1,115,501	1,280,934
OWDA Loans	269,677	398,134
OAQDA Loans	123,279	182,848
Net Pension Liability	31,068,473	30,613,102
Net OPEB Liability	1,831,934	1,897,711
Police and Fire Pension Liability	163,702	175,907
Financed Purchases	4,591,428	5,038,303
Leases	32,207	49,727
Asset Retirement Obligation	70,000	70,000
Compensated Absences	<u>3,204,761</u>	<u>2,868,791</u>
Total	<u><u>\$58,297,962</u></u>	<u><u>\$59,183,457</u></u>

The various purpose improvement bonds with the original issuance amount of \$12,710,000 will be paid with revenues from the land acquisition capital projects fund.

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 \$3,798,000 will be paid with revenues from the road improvement capital projects fund.

The OPWC loans represent eight, 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 \$47,105,130 with an unvoted debt margin of \$24,705,928 on December 31, 2024. Detailed information regarding long-term obligations is included in the notes to the financial statements and as such, the 2023 long-term obligations information above articulates to the January 1, 2024, restated amounts in Note 14 rather than the 2023 amounts presented in Table 1 (see Note 14).

City of South Euclid, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2024
Unaudited

Current Financial Related Activities

The City of South Euclid has remained strong despite the challenging environment of the State and national economy. The administration has provided consistent fiscal management during this time, holding general operating expenses in check while maintaining City services at a high level in 2024. 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@seclid.com.

Basic Financial Statements

City of South Euclid, Ohio

Statement of Net Position
December 31, 2024

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$21,864,821
Cash and Cash Equivalents	
In Segregated Accounts	57,728
Accounts Receivable	251,915
Accrued Interest Receivable	109,963
Intergovernmental Receivable	1,733,273
Lease Receivable	308,948
Prepaid Items	380,368
Materials and Supplies Inventory	376,581
Income Taxes Receivable	7,351,883
Property Taxes Receivable	8,439,063
Permissive Taxes Receivable	6,643
Special Assessments Receivable	3,962,628
Payments in Lieu of Taxes Receivable	622,824
Economic Development Properties	2,161,400
Net Pension Asset (See Note 15)	126,181
Net OPEB Asset (See Note 16)	230,920
Nondepreciable Capital Assets	1,706,077
Depreciable Capital Assets	58,616,352
<i>Total Assets</i>	<i>108,307,568</i>
Deferred Outflows of Resources	
Pension	9,455,688
OPEB	1,152,296
<i>Total Deferred Outflows of Resources</i>	<i>10,607,984</i>
Liabilities	
Accounts Payable	492,971
Accrued Wages	357,474
Contracts Payable	70,359
Intergovernmental Payable	220,881
Retainage Payable	57,706
Accrued Interest Payable	55,201
Accrued Vacation Leave Payable	679,120
Deposits Held Payable	939,536
Long-Term Liabilities:	
Due Within One Year	2,043,715
Due In More Than One Year	
Net Pension Liability (See Note 15)	31,068,473
Net OPEB Liability (See Note 16)	1,831,934
Other Amounts	23,353,840
<i>Total Liabilities</i>	<i>61,171,210</i>
Deferred Inflows of Resources	
Property Taxes	8,032,335
Payments in Lieu of Taxes	622,824
Deferred Charge on Refunding	48,393
Leases	308,948
Pension	1,505,704
OPEB	1,840,637
<i>Total Deferred Inflows of Resources</i>	<i>12,358,841</i>
Net Position	
Net Investment in Capital Assets	38,965,654
Restricted for:	
Capital Projects	6,515,942
Debt Service	11,605
Law Enforcement	1,058,885
Street Maintenance	1,819,945
Street Lighting	1,409,669
Sewer Maintenance	675,878
Community Development	21,934
Other Purposes	3,120,647
Pension and OPEB Plans	357,101
Unrestricted (Deficit)	(8,571,759)
<i>Total Net Position</i>	<i>\$45,385,501</i>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Activities
For the Year Ended December 31, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Operating Assessments	Operating Grants and Contributions	
				Governmental Activities
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,126,140	\$437,726	\$629	\$0
Judicial System	836,051	247,766	0	0
Security of Persons and Property:				
Police	8,720,262	736,459	508,678	0
Fire	6,386,201	529,675	188,485	0
Public Health Services	39,569	256,686	0	3,016
Leisure Time Activities	1,142,075	95,811	4,607	0
Community Development	2,026,964	107,593	50,000	59,000
Building Department	1,341,766	142,141	0	0
Transportation	3,641,636	125,586	1,106,990	359,080
Basic Utility Services	4,273,580	3,517,339	1,440	281,493
Swimming Pools	346,039	0	0	0
Interest	675,008	0	0	0
<i>Total Governmental Activities</i>	\$33,555,291	\$6,196,782	\$1,860,829	\$702,589
				(24,795,091)

General Revenues

Property Taxes Levied for:

General Purposes	4,151,043
Capital Projects	784,064
Other Purposes	2,231,459
Income Taxes Levied for General Purposes	17,018,107
Permissive Taxes Levied for General Purposes	87,660
Grants and Entitlements not Restricted to Specific Programs	1,524,923
Payments in Lieu of Taxes	622,824
Unrestricted Contributions	12,050
Investment Earnings/Interest	1,138,329
Miscellaneous	<u>754,767</u>

Total General Revenues

Change in Net Position

Net Position Beginning of Year as Previously Reported

Change in Accounting Principle (See Note 3)

Restated Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

City of South Euclid, Ohio

*Balance Sheet
Governmental Funds
December 31, 2024*

	General	Flood Control	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$10,755,009	\$1,675,920	\$8,294,743	\$20,725,672
Cash and Cash Equivalents				
In Segregated Accounts	43,059	0	14,669	57,728
Materials and Supplies Inventory	111,294	0	265,287	376,581
Accrued Interest Receivable	109,963	0	0	109,963
Accounts Receivable	33,375	0	218,540	251,915
Interfund Receivable	77,595	0	0	77,595
Intergovernmental Receivable	767,262	0	966,011	1,733,273
Prepaid Items	368,013	0	12,355	380,368
Leases Receivable	308,948	0	0	308,948
Income Taxes Receivable	7,351,883	0	0	7,351,883
Property Taxes Receivable	5,224,539	0	3,214,524	8,439,063
Permissive Taxes Receivable	0	0	6,643	6,643
Payments in Lieu of Taxes Receivable	0	0	622,824	622,824
Restricted Cash and Cash Equivalents	1,139,149	0	0	1,139,149
Special Assessments Receivable	191,453	2,546,096	1,225,079	3,962,628
<i>Total Assets</i>	<u>\$26,481,542</u>	<u>\$4,222,016</u>	<u>\$14,840,675</u>	<u>\$45,544,233</u>
Liabilities				
Accounts Payable	\$408,855	\$110	\$84,006	\$492,971
Accrued Wages	331,319	0	26,155	357,474
Contracts Payable	0	26,140	44,219	70,359
Retainage Payable	0	57,706	0	57,706
Intergovernmental Payable	61,903	0	158,978	220,881
Deposits Held Payable from Restricted Assets	939,536	0	0	939,536
Interfund Payable	0	0	77,595	77,595
<i>Total Liabilities</i>	<u>1,741,613</u>	<u>83,956</u>	<u>390,953</u>	<u>2,216,522</u>
Deferred Inflows of Resources				
Property Taxes	4,972,738	0	3,059,597	8,032,335
Leases	308,948	0	0	308,948
Payments in Lieu of Taxes	0	0	622,824	622,824
Unavailable Revenue	7,167,084	2,546,096	2,361,113	12,074,293
<i>Total Deferred Inflows of Resources</i>	<u>12,448,770</u>	<u>2,546,096</u>	<u>6,043,534</u>	<u>21,038,400</u>
Fund Balances				
Nonspendable	678,920	0	277,642	956,562
Restricted	0	1,591,964	6,362,721	7,954,685
Committed	0	0	38,683	38,683
Assigned	5,564,326	0	1,809,764	7,374,090
Unassigned (Deficit)	6,047,913	0	(82,622)	5,965,291
<i>Total Fund Balances</i>	<u>12,291,159</u>	<u>1,591,964</u>	<u>8,406,188</u>	<u>22,289,311</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$26,481,542</u></u>	<u><u>\$4,222,016</u></u>	<u><u>\$14,840,675</u></u>	<u><u>\$45,544,233</u></u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances \$22,289,311

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. 60,322,429

Economic development properties are not financial resources and therefore are not reported in the funds. 2,161,400

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	419,796
Income Taxes	6,013,396
Special Assessments	3,962,628
Charges for Services	96,961
Fines, Forfeitures and Settlements	66,852
Intergovernmental	1,507,916
Contributions and Donations	922
Other	5,822
Total	12,074,293

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (55,201)

Accrued vacationleave payable is not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (679,120)

The net pension 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	126,181
Net OPEB Asset	230,920
Deferred Outflows - Pension	9,455,688
Deferred Inflows - Pension	(1,505,704)
Net Pension Liability	(31,068,473)
Deferred Outflows - OPEB	1,152,296
Net OPEB Liability	(1,831,934)
Deferred Inflows - OPEB	(1,840,637)
Total	(25,281,663)

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

General Obligation Bonds Payable	(15,102,000)
Special Obligation Bonds Payable	(725,000)
OPWC Loans Payable	(1,115,501)
OWDA Loans Payable	(269,677)
OAQDA Loans Payable	(123,279)
Police and Fire Pension Loan Payable	(163,702)
Financed Purchases	(4,591,428)
Leases Payable	(32,207)
Asset Retirement Obligation	(70,000)
Compensated Absences	(3,204,761)
Deferred Gain on Refunding	(48,393)
Total	(25,445,948)

Net Position of Governmental Activities \$45,385,501

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, 2024

	General	(Formerly Major) Road Improvement	Flood Control	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$4,186,008		\$0	\$3,094,719	\$7,280,727
Income Taxes	16,701,287		0	0	16,701,287
Permissive Taxes	0		0	87,660	87,660
Payments in Lieu of Taxes	0		0	622,824	622,824
Special Assessments	90,917		2,076,023	825,643	2,992,583
Charges for Services	651,798		0	335,040	986,838
Fees, Licenses and Permits	805,126		0	0	805,126
Fines, Forfeitures and Settlements	768,161		0	211,498	979,659
Intergovernmental	1,528,701		46,021	2,029,908	3,604,630
Investment Earnings/Interest	1,094,409		0	43,920	1,138,329
Rentals	10,256		0	0	10,256
Contributions and Donations	12,050		0	285,042	297,092
Leases	36,844		0	0	36,844
Other	699,269		6,000	43,676	748,945
<i>Total Revenues</i>	<i>26,584,826</i>		<i>2,128,044</i>	<i>7,579,930</i>	<i>36,292,800</i>
Expenditures					
Current:					
General Government:					
Legislative and Executive	3,858,422		0	5,417	3,863,839
Judicial System	719,670		0	75,776	795,446
Security of Persons and Property:					
Police	6,211,134		0	1,795,790	8,006,924
Fire	4,512,177		0	1,243,902	5,756,079
Public Health Services	39,569		0	0	39,569
Leisure Time Activities	859,386		0	5,027	864,413
Community Development	966,046		0	439,487	1,405,533
Building Department	1,376,675		0	0	1,376,675
Transportation	962,777		0	1,323,412	2,286,189
Basic Utility Services	1,917,223		0	1,510,186	3,427,409
Swimming Pools	307,947		0	0	307,947
Capital Outlay	0		1,498,334	1,996,098	3,494,432
Debt Service:					
Principal Retirement	25,890		277,347	1,316,955	1,620,192
Interest	9,147		10,988	661,918	682,053
<i>Total Expenditures</i>	<i>21,766,063</i>		<i>1,786,669</i>	<i>10,373,968</i>	<i>33,926,700</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>4,818,763</i>		<i>341,375</i>	<i>(2,794,038)</i>	<i>2,366,100</i>
Other Financing Sources (Uses)					
Sale of Capital Assets	23,023		0	53,061	76,084
Inception of SBITA	0		0	9,133	9,133
Transfers In	0		0	2,077,000	2,077,000
Transfers Out	(2,077,000)		0	0	(2,077,000)
<i>Total Other Financing Sources (Uses)</i>	<i>(2,053,977)</i>		<i>0</i>	<i>2,139,194</i>	<i>85,217</i>
Net Change in Fund Balances	2,764,786		341,375	(654,844)	2,451,317
Fund Balances Beginning of Year as Previous Reported	9,489,731	1,328,444	1,250,589	7,732,588	19,801,352
Change Within Report Entity - See Note 3					
Major Fund to Nonmajor Fund Adjustment					
Road Improvement	0	(1,328,444)	0	1,328,444	0
Change in Accounting Principle - See Note 3	36,642	0	0	0	36,642
Restated Fund Balances Beginning of Year	9,526,373	-	1,250,589	9,061,032	19,837,994
Fund Balances End of Year	\$12,291,159	\$0	\$1,591,964	\$8,406,188	\$22,289,311

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, 2024*

Net Change in Fund Balances - Total Governmental Funds \$2,451,317

***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/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period:

Capital Asset Additions	3,141,541
Economic Development Properties Addition	59,000
Current Year Depreciation/Amortization	<u>(2,834,276)</u>
Total	366,265

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	(599,700)
Capital Assets	<u>(113,529)</u>
Total	(713,229)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(114,161)
Income Taxes	316,820
Special Assessments	451,708
Charges for Services	(50,126)
Fines, Forfeitures and Settlements	(16,106)
Intergovernmental	225,007
Contributions and Donations	(85,338)
Other	<u>5,822</u>
Total	733,626

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	2,314,449
OPEB	<u>44,331</u>
Total	2,358,780

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	(3,151,301)
OPEB	<u>15,791</u>
Total	(3,135,510)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,620,192

Other financing sources, such as inception of subscriptions, in the governmental funds increase long-term liabilities in the statement of net position. (9,133)

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	4,199
Amortization of Deferred Gain on Refunding	2,846
Total	7,045

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	(335,970)
Accrued Vacation Leave	<u>186,752</u>
Total	(149,218)

Change in Net Position of Governmental Activities

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Property Taxes	\$5,184,513	\$4,261,982	\$4,230,094	(\$31,888)
Income Taxes	18,003,024	14,799,570	16,451,137	1,651,567
Special Assessments	72,343	59,470	90,917	31,447
Charges for Services	453,391	372,715	583,254	210,539
Fees, Licenses and Permits	879,516	723,015	805,439	82,424
Fines, Forfeitures and Settlements	720,058	591,931	756,341	164,410
Intergovernmental	1,854,946	1,524,877	1,534,140	9,263
Interest	409,019	336,238	855,477	519,239
Rentals	12,729	10,464	25,854	15,390
Contributions and Donations	0	0	12,050	12,050
Other	172,807	142,058	122,481	(19,577)
<i>Total Revenues</i>	<i>27,762,346</i>	<i>22,822,320</i>	<i>25,467,184</i>	<i>2,644,864</i>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,924,104	4,524,418	3,856,649	667,769
Judicial System	1,418,672	874,900	732,583	142,317
Security of Persons and Property:				
Police	7,456,372	7,464,372	6,531,081	933,291
Fire	5,007,123	5,057,123	4,720,311	336,812
Public Health Services	104,043	104,043	48,756	55,287
Leisure Time Activities	1,118,587	1,122,087	907,998	214,089
Community Development	1,170,933	1,267,383	979,106	288,277
Building Department	1,404,018	1,369,288	1,253,979	115,309
Transportation	1,314,599	1,306,599	1,048,039	258,560
Basic Utility Services	2,017,568	2,017,568	2,013,350	4,218
<i>Total Expenditures</i>	<i>24,936,019</i>	<i>25,107,781</i>	<i>22,091,852</i>	<i>3,015,929</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>2,826,327</i>	<i>(2,285,461)</i>	<i>3,375,332</i>	<i>5,660,793</i>
Other Financing Sources (Uses)				
Sale of Capital Assets	14,648	14,648	23,366	8,718
Transfers Out	(1,957,000)	(2,457,000)	(2,457,000)	0
<i>Total Other Financing Sources (Uses)</i>	<i>(1,942,352)</i>	<i>(2,442,352)</i>	<i>(2,433,634)</i>	<i>8,718</i>
<i>Net Change in Fund Balance</i>	<i>883,975</i>	<i>(4,727,813)</i>	<i>941,698</i>	<i>5,669,511</i>
<i>Fund Balance Beginning of Year</i>	<i>7,449,143</i>	<i>7,449,143</i>	<i>7,449,143</i>	<i>0</i>
Prior Year Encumbrances Appropriated	778,519	778,519	778,519	0
<i>Fund Balance End of Year</i>	<i>\$9,111,637</i>	<i>\$3,499,849</i>	<i>\$9,169,360</i>	<i>\$5,669,511</i>

See accompanying notes to the basic financial statements

City of South Euclid, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2024

Assets

Equity in Pooled Cash and Cash Equivalents	\$3,733
Cash and Cash Equivalents in Segregated Accounts	<u>226,577</u>
<i>Total Assets</i>	<u>230,310</u>

Liabilities

Accounts Payable	10,278
Intergovernmental Payable	<u>220,032</u>
<i>Total Liabilities</i>	<u>230,310</u>

Net Position

Restricted for Individuals, Organizations or Other Governments	<u>\$0</u>
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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, 2024

Additions

Fines and Forfeitures for Individuals	\$9,556
Fines and Forfeitures for Other Governments	<u>916,788</u>
<i>Total Additions</i>	<u>926,344</u>

Deletions

Distributions to Individuals	48,392
Distributions to Other Governments	<u>877,952</u>
<i>Total Deductions</i>	<u>926,344</u>

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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 nine organizations: one shared risk pool, one insurance purchasing 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. The Ohio Government Benefit Cooperative is an insurance purchasing pool. These organizations are presented in Notes 10, 17 and 18 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

Basis of Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds

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

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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. The road improvement fund is presented on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds as a formerly major fund as it no longer meets the quantitative threshold to be a major fund. Other than the beginning fund balance, no amounts are presented in the column as this fund's 2024 activity is presented in the other governmental funds column. Information for the beginning balance is presented to reflect the movement from major to nonmajor. The adjusted balance beginning of year includes a “-“ to indicate this amount is included with the nonmajor fund.

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.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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 8). 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; permissive taxes, charges for services; fees, licenses and permits; state-levied locally shared taxes (including gasoline tax and motor vehicle license fees); grants; interest; and refunds.

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, a deferred charge on refunding, leases, pension, OPEB 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, 2024, but which were levied to finance 2025 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. A deferred charge 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. 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. 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). Unavailable revenue is reported only on the governmental

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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; charges for services; fines, forfeitures and settlements; intergovernmental grants and contributions and donations. 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.

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

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

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

During the year, the City invested in federal securities, U.S. Treasury notes, negotiable certificates of deposit, STAR Ohio and a money market mutual fund. Investments, except STAR Ohio, are reported at fair value, which is based on quoted market prices. The fair value of the money market mutual fund is determined by the fund's share price at December 31, 2024. STAR Ohio is reported at net asset value per share.

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

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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, street construction and maintenance, state highway and motor vehicle license tax special revenue funds and energy efficiency capital projects fund. Investment Earnings/Interest revenue credited to the general fund during 2024 amounted to \$1,094,409, which includes \$477,673 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, 2024, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

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 legally required to be maintained until the end of a five-year holding period and amounts held on deposit for contractors.

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.

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.

Capital Assets

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

All capital assets (except for intangible right-to-use lease assets and subscription assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of 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 lease assets and subscription assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

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

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is more likely than not that the employer will compensate the employees for the benefits through paid time off or will settle the benefits at separation. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to the amount accrued in one year, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

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

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, 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, loans, leases and financed purchases are recognized as a liability on the governmental fund financial statements when due.

Leases and SBITAs

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

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

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

The City is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancelable IT software contracts. At the commencement of the subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized in a systematic and rational manner

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

Deferred Charge 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 deferred charge 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. Nonspendable fund balance in the general fund includes unclaimed monies legally required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants.

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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 also assigned fund balance to cover a gap between estimated revenues and appropriations in 2025's budget. City Council assigned fund balance for swimming pools 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 and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the restricted net position, non has resulted from enabling legislation. Net position restricted for other purposes include resources restricted for fire, grants, OneOhio settlements, economic development properties, and unclaimed monies. Restricted net position for pension and OPEB plans represents the corresponding restricted asset amounts held in trust by the pension and OPEB plans for future benefits. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Internal Activity

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

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

Estimates

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

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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 – Changes in Accounting Principles, Changes within the Financial Reporting Entity, and Restatement of Fund Balances and Net Position

Changes in Accounting Principles

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

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

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

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

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

Changes within the Financial Reporting Entity

For 2024, the Road Improvement capital projects fund presentation was adjusted from major to nonmajor due to no longer meeting the quantitative threshold for a major fund. These changes are separately displayed in the financial statements.

Restatement of Fund Balances and Net Position

For the City, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense on beginning net position as shown on the following table. Also, the road improvement capital projects fund presentation was adjusted from major to nonmajor; this change is shown on the table below.

	Change in Accounting Principle		Change within the Financial Reporting Entity		
	12/31/2023 As Previously Reported		Changes between Major and Nonmajor Funds	12/31/2023 As Restated/ Adjusted	
	GASB 101	GASB 101		GASB 101	GASB 101
Government-Wide					
Governmental Activities	<u>\$42,930,228</u>	<u>(\$1,074,862)</u>	<u>\$0</u>	<u>\$41,855,366</u>	
Governmental Funds					
Major Funds:					
General	\$9,489,731	\$36,642	\$0	\$9,526,373	
Road Improvement	1,328,444	0	(1,328,444)	-	
Flood Control	1,250,589	0	0	1,250,589	
All Other Governmental Funds	7,732,588	0	1,328,444	9,061,032	
Total Governmental Funds	<u>\$19,801,352</u>	<u>\$36,642</u>	<u>\$0</u>	<u>\$19,837,994</u>	
Fiduciary Funds					
Custodial	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	

Note 4 - 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.

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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	\$2,764,786
Net Adjustment for Revenue Accruals	(1,165,834)
Beginning Fair Value Adjustment for Investments	(139,002)
Ending Fair Value Adjustment for Investments	(3,564)
Beginning Unrecorded Cash	28,026
Ending Unrecorded Cash	(43,859)
Beginning Non-Budgeted Activity	1,044,957
Ending Non-Budgeted Activity	(1,183,532)
Perspective Difference:	
Swimming Pools	35,810
Net Adjustment for Expenditure Accruals	833,990
Encumbrances	(1,230,080)
Budget Basis	<u><u>\$941,698</u></u>

Note 5 – 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.

City of South Euclid, Ohio
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Note 6 - 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
<i>Nonspendable</i>				
Prepaid Items	\$368,013	\$0	\$12,355	\$380,368
Materials and Supplies Inventory	111,294	0	265,287	376,581
Unclaimed Monies	<u>199,613</u>	<u>0</u>	<u>0</u>	<u>199,613</u>
<i>Total Nonspendable</i>	<u>678,920</u>	<u>0</u>	<u>277,642</u>	<u>956,562</u>
<i>Restricted for</i>				
Capital Projects	0	1,591,964	2,606,463	4,198,427
Debt Service	0	0	66,806	66,806
Law Enforcement	0	0	915,631	915,631
Street Maintenance	0	0	1,180,898	1,180,898
Street Lighting	0	0	861,830	861,830
Sewer Maintenance	0	0	32,351	32,351
Community Development	0	0	21,934	21,934
Other Purposes	<u>0</u>	<u>0</u>	<u>676,808</u>	<u>676,808</u>
<i>Total Restricted</i>	<u>0</u>	<u>1,591,964</u>	<u>6,362,721</u>	<u>7,954,685</u>
<i>Committed to</i>				
Other Purposes	<u>0</u>	<u>0</u>	<u>38,683</u>	<u>38,683</u>
<i>Assigned to</i>				
Swimming Pools	67,858	0	0	67,858
Salaries and Benefits	782,686	0	0	782,686
Purchases on Order	924,092	0	0	924,092
2025 Operations	3,789,690	0	0	3,789,690
Capital Projects	<u>0</u>	<u>0</u>	<u>1,809,764</u>	<u>1,809,764</u>
<i>Total Assigned</i>	<u>5,564,326</u>	<u>0</u>	<u>1,809,764</u>	<u>7,374,090</u>
<i>Unassigned (Deficit)</i>	<i>6,047,913</i>	<i>0</i>	<i>(82,622)</i>	<i>5,965,291</i>
<i>Total Fund Balances</i>	<u>\$12,291,159</u>	<u>\$1,591,964</u>	<u>\$8,406,188</u>	<u>\$22,289,311</u>

Note 7 - 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.

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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.

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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

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

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share				
STAR Ohio	<u>\$4,482,562</u>	Average 27.2 Days	AAAm	N/A
Fair Value - Level One Inputs				
Money Market Mutual Fund	<u>477,925</u>	Less than one year	NR	N/A
Fair Value - Level Two Inputs				
Negotiable Certificates of Deposit	6,423,279	Less than five years	NR	40.23 %
United States Treasury Notes	2,507,674	Less than four years	AA+	22.80
Federal Home Loan Mortgage Corporation Bonds	996,570	Less than five years	AA+	6.24
Federal Home Loan Bank Bonds	773,853	Less than two years	AA+	N/A
Federal National Mortgage Association Bonds	299,190	Less than four years	AA+	N/A
Total Fair Value - Level Two Inputs	<u>11,000,566</u>			
Total Portfolio	<u><u>\$15,961,053</u></u>			

Note: Custodial credit risk is defined by GASB as having five percent or more invested in the securities of a single issuer. Therefore, percent of total investments is not presented for investments totaling less than five percent.

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

City of South Euclid, Ohio
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identifies the City's recurring fair value measurements as of December 31, 2024. 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 Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization. The negotiable certificates of deposit are 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 8 - Receivables

Receivables at December 31, 2024, 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 and Opioid settlement monies).

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, 2024 the total amount of delinquent special assessments was \$395,429. 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 2024 for real and public utility property taxes represents collections of 2023 taxes.

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

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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. 2024 public utility property taxes which became a lien December 31, 2023, are levied after October 1, 2024, and are collected in 2025 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2024, was \$18.85 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2024 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$370,518,590
Other Real Estate	61,387,630
Tangible Personal Property	
Public Utility	16,077,820
Total Assessed Values	<u><u>\$447,984,040</u></u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2024, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2024 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, 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.

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Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$66,533 as an accounts receivable related to opioid settlement monies in the OneOhio opioid Settlement special revenue fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$61,752 not expected to be collected within one year of the date of the financial statements.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental Activities	Amount
Gasoline and Excise Tax	\$457,180
Local Government	438,861
Homestead and Rollback	378,508
Cleveland Water Department Project	231,632
Ohio EMA EDGE Bomb Unit Grant	75,931
Vehicle License Tax	59,652
Ohio EMA Tornadoes Reimbursement	36,671
Law Enforcement Continuing Training	36,353
Police Retention Grant	3,811
BWC Refunds	3,616
Ohio Department of Public Safety Grant	3,196
State of Ohio Sales Tax Holiday Refund	3,131
State of Ohio Parking Citations	3,049
State of Ohio Electric & Telephone Tax	1,363
State of Ohio IDAT Refund	319
Total	<u>\$1,733,273</u>

Leases Receivable

The City is reporting leases receivable of \$308,948 in the general fund at December 31, 2024. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2024, the City recognized lease revenue of \$36,844 and interest revenue of \$7,242 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

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A summary of future lease amounts receivable is as follows:

Year	General	
	Principal	Interest
2025	\$43,174	\$6,408
2026	44,171	5,410
2027	45,193	4,389
2028	46,372	3,342
2029	48,824	2,259
2030-2034	<u>81,214</u>	<u>2,709</u>
Total	<u><u>\$308,948</u></u>	<u><u>\$24,517</u></u>

Note 9 - 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 10 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of 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.

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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 2024, the City of South Euclid paid \$223,570 in premiums from the general fund. 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 11 - 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, 2024.

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 12 – 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 2,000 hours for all employees. Upon retirement or death and at least ten years of service, 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.

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Note 13 - Capital Assets

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

	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024
Governmental Activities:				
<i>Nondepreciable Capital Assets</i>				
Land	\$517,278	\$0	\$0	\$517,278
Construction in Progress	3,120,609	1,437,642	(3,369,452)	1,188,799
<i>Total Capital Assets not being Depreciated</i>	<u>3,637,887</u>	<u>1,437,642</u>	<u>(3,369,452)</u>	<u>1,706,077</u>
<i>Depreciable Capital Assets</i>				
<i>Tangible Assets</i>				
Buildings and Improvements	14,810,515	1,855,484	0	16,665,999
Equipment	3,825,757	364,427	0	4,190,184
Vehicles	6,140,456	1,321,175	(188,712)	7,272,919
Infrastructure:				
Streets	35,246,102	0	0	35,246,102
Bridges, Sewers and Culverts	39,932,363	1,513,691	0	41,446,054
Traffic Signals	414,680	9,440	0	424,120
<i>Total Tangible Assets</i>	<u>100,369,873</u>	<u>5,064,217</u>	<u>(188,712)</u>	<u>105,245,378</u>
<i>Intangible Right to Use Assets</i>				
<i>Lease Asset</i>				
Intangible Right to Use - Equipment	79,764	0	0	79,764
<i>Subscription Assets</i>				
Intangible Right to Use - Software	145,088	9,134	0	154,222
<i>Total intangible Assets</i>	<u>224,852</u>	<u>9,134</u>	<u>0</u>	<u>233,986</u>
<i>Total Capital Assets being Depreciated</i>	<u>100,594,725</u>	<u>5,073,351</u>	<u>(188,712)</u>	<u>105,479,364</u>
<i>Less Accumulated Depreciation/Amortization</i>				
<i>Depreciation</i>				
Buildings and Improvements	(6,235,058)	(399,838)	0	(6,634,896)
Equipment	(2,499,355)	(263,472)	0	(2,762,827)
Vehicles	(4,248,670)	(646,919)	75,183	(4,820,406)
Infrastructure:				
Streets	(21,230,917)	(1,075,193)	0	(22,306,110)
Bridges, Sewers and Culverts	(9,756,417)	(390,886)	0	(10,147,303)
Traffic Signals	(53,920)	(8,687)	0	(62,607)
<i>Total Depreciation</i>	<u>(44,024,337)</u>	<u>(2,784,995)</u>	<u>75,183</u>	<u>(46,734,149)</u>
<i>Amortization - Right to Use Assets</i>				
<i>Lease Asset</i>				
Intangible Right to Use - Equipment	(31,219)	(18,652)	0	(49,871)
<i>Subscription Assets</i>				
Intangible Right to Use - Software	(48,363)	(30,629)	0	(78,992)
<i>Total Amortization</i>	<u>(79,582)</u>	<u>(49,281)</u>	<u>0</u>	<u>(128,863)</u>
<i>Total Accumulated Depreciation/Amortization</i>	<u>(44,103,919)</u>	<u>(2,834,276) *</u>	<u>75,183</u>	<u>(46,863,012)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>56,490,806</u>	<u>2,239,075</u>	<u>(113,529)</u>	<u>58,616,352</u>
Governmental Activities Capital Assets, Net	<u>\$60,128,693</u>	<u>\$3,676,717</u>	<u>(\$3,482,981)</u>	<u>\$60,322,429</u>

City of South Euclid, Ohio
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*Depreciation/Amortization expense was charged to governmental activities as follows:

	Depreciation	Amortization		
		Lease Assets	Subscription Assets	Total
General Government:				
Legislative and Executive	\$198,382	\$14,832	\$0	\$213,214
Judicial System	8,171	3,820	0	11,991
Security of Persons and Property:				
Police	197,357	0	30,629	\$227,986
Fire	166,466	0	0	\$166,466
Leisure Time Activities	142,436	0	0	\$142,436
Community Development	9,120	0	0	\$9,120
Building Department	16,021	0	0	\$16,021
Transportation	1,200,291	0	0	\$1,200,291
Basic Utility Services	808,659	0	0	\$808,659
Swimming Pools	38,092	0	0	\$38,092
Total Depreciation/Amortization Expense	\$2,784,995	\$18,652	\$30,629	\$2,834,276

Note 14 - 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:			
2023 Various Purpose Bonds:			
Street Resurfacing Improvement Bonds	3.52%	\$2,134,000	2038
Street Improvement Bonds	3.52%	1,664,000	2038
2019 Various Purpose Refunding Bonds	1.9% to 3.6%	12,710,000	2042
Special Obligation Bonds from Direct Placement:			
2014 Housing Development Special Obligation Bonds	3.55%	1,840,000	2029
Ohio Air Quality Development Authority Loans from Direct Placement:			
OAQDA Series B	5.45%	386,145	2026
Loans from Direct Borrowings:			
<i>OPWC Loans:</i>			
Whitehall Road Bridge Replacement	0%	188,822	2006 to 2025
Bexley Infrastructure	0%	1,247,424	2005 to 2024
Cedar Center	0%	260,039	2013 to 2033
Nine Mile Creek Rehabilitation	0%	341,315	2013 to 2033
Rainbow Creek	0%	132,399	2013 to 2033
Green Road	0%	543,801	2013 to 2033
Argonne Road	0%	692,186	2013 to 2043
South Green Traffic Signal	0%	80,499	N/A
<i>OWDA Loan:</i>			
Stormwater Improvement	3.25%	2,052,371	2026
Other Long-term Obligations:			
Police and Fire Pension	4.25%	391,010	1973 to 2035

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

	Amount Outstanding 1/1/2024	Additions	Deletions	Amount Outstanding 12/31/2024	Amounts Due In One Year
Governmental Activities:					
General Obligation Bonds:					
2023 Various Purpose					
Street Resurfacing Improvement Term Bonds	\$2,134,000	\$0	(\$99,000)	\$2,035,000	\$115,000
Street Improvement Term Bonds	1,664,000	0	(77,000)	1,587,000	90,000
Total 2023 Various Purpose	<u>3,798,000</u>	<u>0</u>	<u>(176,000)</u>	<u>3,622,000</u>	<u>205,000</u>
2019 Various Purpose					
General Obligation Bonds	3,055,000	0	(475,000)	2,580,000	490,000
Term Bonds	8,900,000	0	0	8,900,000	0
Total 2019 Various Purpose General	<u>11,955,000</u>	<u>0</u>	<u>(475,000)</u>	<u>11,480,000</u>	<u>490,000</u>
<i>Total General Obligation Bonds</i>	<u>15,753,000</u>	<u>0</u>	<u>(651,000)</u>	<u>15,102,000</u>	<u>695,000</u>
Long-term Obligations from Direct Placements:					
<i>Special Obligation Bond:</i>					
2014 Housing Development	855,000	0	(130,000)	725,000	135,000
<i>Ohio Air Quality Development Authority Loans:</i>					
OAQDA 2011 Series B	182,848	0	(59,569)	123,279	60,939
<i>Total Long-term Obligations from Direct Placements</i>	<u>1,037,848</u>	<u>0</u>	<u>(189,569)</u>	<u>848,279</u>	<u>195,939</u>
Loans from Direct Borrowings:					
<i>OPWC Loans:</i>					
Whitehall Road Bridge Replacement	23,601	0	(9,441)	14,160	9,440
Bexley Infrastructure	62,371	0	(62,371)	0	0
Cedar Center	125,582	0	(13,219)	112,363	13,219
Nine Mile Creek Rehabilitation	125,369	0	(13,197)	112,172	13,197
Rainbow Creek	52,459	0	(5,522)	46,937	5,522
Green Road	334,914	0	(35,254)	299,660	35,254
Argonne Road	476,139	0	(24,417)	451,722	24,417
South Green Traffic Signal	80,499	0	(2,012)	78,487	4,025
<i>Total OPWC Loans</i>	<u>1,280,934</u>	<u>0</u>	<u>(165,433)</u>	<u>1,115,501</u>	<u>105,074</u>
<i>OWDA Loan:</i>					
Stormwater Improvement	398,134	0	(128,457)	269,677	132,665
<i>Total Loans from Direct Borrowings</i>	<u>1,679,068</u>	<u>0</u>	<u>(293,890)</u>	<u>1,385,178</u>	<u>237,739</u>
Other Long-term Obligations					
<i>Net Pension Liability</i>					
OPERS	7,302,595	0	(475,007)	6,827,588	0
OP&F	23,310,507	930,378	0	24,240,885	0
<i>Total Net Pension Liability</i>	<u>30,613,102</u>	<u>930,378</u>	<u>(475,007)</u>	<u>31,068,473</u>	<u>0</u>
<i>Net OPEB Liability</i>					
OPERS	150,543	0	(150,543)	0	0
OP&F	1,747,168	84,766	0	1,831,934	0
<i>Total Net OPEB Liability</i>	<u>1,897,711</u>	<u>84,766</u>	<u>(150,543)</u>	<u>1,831,934</u>	<u>0</u>
<i>Police and Fire Pension</i>					
Financed Purchases from Direct Borrowing	175,907	0	(12,205)	163,702	12,729
Leases	5,038,303	0	(446,875)	4,591,428	417,402
SBITA	49,727	0	(17,520)	32,207	18,986
Compensated Absences	9,133	9,133	(9,133)	0	0
<i>Asset Retirement Obligation</i>	2,868,791	335,970	0	3,204,761	465,920
<i>Total Other Long-term Obligations</i>	<u>70,000</u>	<u>0</u>	<u>0</u>	<u>70,000</u>	<u>0</u>
<i>Total Governmental Activities</i>	<u>40,713,541</u>	<u>1,351,114</u>	<u>(1,102,150)</u>	<u>40,962,505</u>	<u>915,037</u>
	<u>\$59,183,457</u>	<u>\$1,351,114</u>	<u>(\$2,236,609)</u>	<u>\$58,297,962</u>	<u>\$2,043,715</u>

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During 2023, the City issued \$3,798,000 in Various Purpose General Obligation Bonds with an interest rate of 3.52 percent. The bonds were issued for a fifteen year period with a final maturity during 2038. The proceeds were used for various street resurfacing and street improvement projects. The bonds will be repaid from the road improvement capital projects fund.

During 2019, the City issued \$12,710,000 in Various Purpose General Obligation Bonds 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, 2024, \$10,885,000 of the defeased bonds are still outstanding.

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 \$1,115,501 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.

The City's outstanding OWDA loan from direct borrowings of \$269,677 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.

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The City has outstanding agreement to lease copiers and postage machines. 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
2025	\$18,986	\$2,113
2026	6,047	1,154
2027	6,259	478
2028	915	4
Total	<u><u>\$32,207</u></u>	<u><u>\$3,749</u></u>

The City entered into a SBITA agreement body camera services for the term of July 10, 2024 through May 14, 2027. The terms of the SBITA include annual payments for the lease; however, the City paid a lump sum of \$9,133 on July 31, 2024. The SBITA was be repaid from the law enforcement special revenue fund.

Increases and decreased to compensated absences are presented net on the long-term obligations table. 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, 2024, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$47,105,130 and the unvoted legal debt margin was \$24,705,928. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2024 are as follows:

	Governmental Activities							
	<i>From Direct Borrowings:</i>							
	General Obligation Bonds		OPWC Loans		OWDA Loans		Police and Fire Pension	
	Principal	Interest	Principal	Principal	Interest	Principal	Principal	Interest
2025	\$695,000	\$480,895	\$105,074	\$132,665	\$7,103	\$12,729	\$6,821	
2026	712,000	461,629	100,354	137,012	3,091	13,276	6,275	
2027	739,000	441,311	95,634	0	0	13,846	5,702	
2028	757,000	419,897	95,633	0	0	14,442	5,110	
2029	775,000	397,545	95,633	0	0	15,062	4,489	
2030-2034	4,280,000	1,600,924	377,385	0	0	85,632	12,119	
2035-2039	4,724,000	829,200	142,215	0	0	8,715	187	
2040-2044	2,420,000	130,929	103,573	0	0	0	0	
Total	<u><u>\$15,102,000</u></u>	<u><u>\$4,762,330</u></u>	<u><u>\$1,115,501</u></u>	<u><u>\$269,677</u></u>	<u><u>\$10,194</u></u>	<u><u>\$163,702</u></u>	<u><u>\$40,703</u></u>	

City of South Euclid, Ohio
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For The Year Ended December 31, 2024

Governmental Activities (continued)

	<i>From Direct Placements</i>				<i>From Direct Borrowing</i>	
	OAQDA Loans		Special Obligation Bonds		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$60,939	\$5,058	\$135,000	\$25,737	\$417,402	\$112,491
2026	62,340	1,699	140,000	20,945	417,402	102,264
2027	0	0	145,000	15,975	417,403	92,037
2028	0	0	150,000	10,828	417,403	81,811
2029	0	0	155,000	5,502	417,402	71,585
2030-2034	0	0	0	0	2,087,013	204,527
2035	0	0	0	0	417,403	10,226
Total	\$123,279	\$6,757	\$725,000	\$78,987	\$4,591,428	\$674,941

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

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

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

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

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

Traditional plan state and local members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

Combined plan members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

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

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

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

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

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

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

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll. For 2024, the City's contractually required contribution was \$609,814 for the traditional plan, \$23,180 for the combined plan and \$2,217 for the member-directed plan. Of these amounts, \$15,466 is reported as an intergovernmental payable for the traditional plan, \$588 for the combined plan, and \$56 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 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.

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

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,681,455 for 2024. Of this amount, \$51,158 is reported as an intergovernmental payable.

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In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2024, the specific liability of the City was \$163,702 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0260790%	0.0410500%	0.2509050%	
Prior Measurement Date	<u>0.0247210%</u>	<u>0.0241320%</u>	<u>0.2453988%</u>	
Change in Proportionate Share	<u>0.0013580%</u>	<u>0.0169180%</u>	<u>0.0055062%</u>	
Proportionate Share of the:				
Net Pension Liability	\$6,827,588	\$0	\$24,240,885	\$31,068,473
Net Pension Asset	0	(126,181)	0	(126,181)
Pension Expense	940,698	1,847	2,208,756	3,151,301

2024 pension expense for the member-directed defined contribution plan was \$2,217. The aggregate pension expense for all pension plans was \$3,153,518 for 2024.

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$111,591	\$5,113	\$778,203	\$894,907
Changes of assumptions	0	4,683	1,531,998	1,536,681
Net difference between projected and actual earnings on pension plan investments	1,378,098	20,522	2,747,002	4,145,622
Changes in proportion and differences between City contributions and proportionate share of contributions	177,556	974	385,499	564,029
City contributions subsequent to the measurement date	609,814	23,180	1,681,455	2,314,449
Total Deferred Outflows of Resources	\$2,277,059	\$54,472	\$7,124,157	\$9,455,688
Deferred Inflows of Resources				
Differences between expected and actual experience	\$0	\$12,480	\$271,107	\$283,587
Changes of assumptions	0	0	368,126	368,126
Changes in proportion and differences between City contributions and proportionate share of contributions	0	51,160	802,831	853,991
Total Deferred Inflows of Resources	\$0	\$63,640	\$1,442,064	\$1,505,704

\$2,314,449 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2025	\$473,766	(\$4,033)	\$987,522	\$1,457,255
2026	510,291	(1,519)	1,128,504	1,637,276
2027	879,425	4,482	1,808,243	2,692,150
2028	(196,237)	(10,877)	(107,417)	(314,531)
2029	0	(7,113)	178,434	171,321
Thereafter	0	(13,288)	5,352	(7,936)
Total	\$1,667,245	(\$32,348)	\$4,000,638	\$5,635,535

City of South Euclid, Ohio
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Actuarial Assumptions – OPERS

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

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

	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 (Current Year)	2.3 percent, simple through 2024, then 2.05 percent, simple	2.3 percent, simple through 2024, then 2.05 percent, simple
Post-January 7, 2013 Retirees (Prior Year)	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension

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plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	2.85%
Domestic Equities	21.00	4.27
Real Estate	13.00	4.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other Investments	<u>5.00</u>	3.46
Total	<u>100.00%</u>	

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.9 percent) or one percentage point higher (7.9 percent) than the current rate:

City's proportionate share of the net pension liability (asset):	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
OPERS Traditional Plan	\$10,748,460	\$6,827,588	\$3,566,564
OPERS Combined Plan	(76,353)	(126,181)	(165,432)

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Actuarial Assumptions – OP&F

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

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

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

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

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

Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Note: Assumptions are geometric.

* levered 2.0x

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

Discount Rate For 2023, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$32,108,859	\$24,240,885	\$17,697,901

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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. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined, and Member-Directed plans. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

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

Age 65 or older Retirees Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees Based on the following age-and-service criteria:

Group A 30 years of total service with at least 20 years of qualified health care service credit;

Group B 31 years of total service credit with at least 20 years of qualified health care service credit; or

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

Age 59 or younger Retirees Based on the following age-and-service criteria:

Group A 30 years of qualified health care service credit;

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Group B 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or

Group C 32 years of qualified health care service credit and at least age 55.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Group A	Group B	Group C
Age and Service Requirements <i>December 1, 2014 or Prior</i>	Age and Service Requirements <i>December 1, 2014 or Prior</i>	Age and Service Requirements <i>December 1, 2014 or Prior</i>
Any Age with 10 years of service credit	Any Age with 10 years of service credit	Any Age with 10 years of service credit
<i>January 1, 2015 through December 31, 2021</i>	<i>January 1, 2015 through December 31, 2021</i>	<i>January 1, 2015 through December 31, 2021</i>
Age 60 with 20 years of service credit or Any Age with 30 years of service credit	Age 52 with 31 years of service credit or Age 60 with 20 years of service credit or Any Age with 32 years of service credit	Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B and C.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10 percent each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20 percent per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$4,538 for 2024. Of this amount, \$115 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.

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2024, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$39,793 for 2024. Of this amount, \$1,208 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.0255860%	0.2509050%	
Prior Measurement Date	<u>0.0238760%</u>	<u>0.2453988%</u>	
Change in Proportionate Share	<u>0.0017100%</u>	<u>0.0055062%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$0	\$1,831,934	\$1,831,934
Net OPEB (Asset)	(230,920)	0	(230,920)
OPEB Expense	(29,927)	14,136	(15,791)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$88,093	\$88,093
Changes of assumptions	59,450	630,386	689,836
Net difference between projected and actual earnings on OPEB plan investments	138,680	135,276	273,956
Changes in proportion and differences between City contributions and proportionate share of contributions	140	55,940	56,080
City contributions subsequent to the measurement date	<u>4,538</u>	<u>39,793</u>	<u>44,331</u>
Total Deferred Outflows of Resources	<u><u>\$202,808</u></u>	<u><u>\$949,488</u></u>	<u><u>\$1,152,296</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$32,867	\$336,656	\$369,523
Changes of assumptions	99,265	1,179,723	1,278,988
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>10,716</u>	<u>181,410</u>	<u>192,126</u>
Total Deferred Inflows of Resources	<u><u>\$142,848</u></u>	<u><u>\$1,697,789</u></u>	<u><u>\$1,840,637</u></u>

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

\$44,331 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2025	(\$12,609)	(\$83,262)	(\$95,871)
2026	6,909	(103,659)	(96,750)
2027	107,951	(64,144)	43,807
2028	(46,829)	(168,826)	(215,655)
2029	0	(177,726)	(177,726)
Thereafter	<u>0</u>	<u>(190,477)</u>	<u>(190,477)</u>
Total	<u>\$55,422</u>	<u>(\$788,094)</u>	<u>(\$732,672)</u>

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

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

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00%	2.82%
Domestic Equities	25.00	4.27
Real Estate Investment Trust	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other Investments	5.00	2.43
Total	<u>100.00%</u>	

Discount Rate A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. (Fidelity Index's "20-Year Municipal GO AA Index") The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
City's proportionate share of the net OPEB liability (asset)	\$126,907	(\$230,920)	(\$527,327)

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

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	(\$240,508)	(\$230,920)	(\$220,040)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented as follows:

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

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

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

Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate For 2023, the total OPEB liability was calculated using the discount rate of 4.07 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.5 percent was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38 percent was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07 percent.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.07 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07 percent), or one percentage point higher (5.07 percent), than the current rate:

	Current		
	1% Decrease (3.07%)	Discount Rate (4.07%)	1% Increase (5.07%)
City's proportionate share of the net OPEB liability	\$2,256,435	\$1,831,934	\$1,474,422

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, Richmond 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 member cities, 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 2024, the City contributed \$240,431, paid from the general fund. 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 2024, the City contributed \$3,773. 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.

City of South Euclid, Ohio
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NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not make any contributions to NOPEC during 2024. Financial information can be obtained by contacting the Chief Financial Officer, Northeast Ohio Public Energy Council, 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 20 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 2024, the City of South Euclid contributed \$4,750 from the general fund 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 2024. 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.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

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 \$658,350 to the CVDC during 2024. Financial information can be obtained by contacting the Administrator, Chagrin Valley Dispatch, 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 2024, the City paid RITA \$481,643 for income tax collection services.

Note 18 – Insurance Purchasing Pool

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

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

Note 19 - Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2024, consisted of an interfund receivable/payable of \$77,595 between the general fund and other governmental funds pending the receipt of deposits. The interfund balances will be repaid within one year.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

Interfund Transfers

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

Transfers To	Transfers From General
Other Governmental Funds:	
General Obligation Bond Retirement	\$68,000
Land Acquisition	710,000
General Capital Improvements	750,000
Energy Efficiency	549,000
<i>Total</i>	<u>\$2,077,000</u>

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 20 – Significant Commitments

Encumbrances

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

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

General Fund	\$1,230,080
Flood Control	145,578
Other Governmental Funds	1,907,125
<i>Total</i>	<u>\$3,282,783</u>

Contractual Commitments

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

Vendor Name	Contract Amount	Amount Paid To Date	Remaining Contract
DiGioia Suburban Excavating	\$1,442,647	\$1,300,777	\$141,870
Cross Roads Asphalt Recycling	584,722	559,693	25,029
Cook Paving and Construction	263,804	0	263,804
<i>Total</i>	<u>\$2,291,173</u>	<u>\$1,860,470</u>	<u>\$430,703</u>

The remaining commitments were encumbered at year-end. The amounts of \$16,584 and \$57,706 in contracts and retainage payable for governmental activities, respectively, have been capitalized.

City of South Euclid, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2024

Note 21 – Accountability and Compliance

Accountability

The following funds had deficit fund balances as of December 31, 2024:

Other Governmental Funds:

Miscellaneous Federal Grants	\$6,691
EDGE Grants	75,931

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.

Compliance

The City had negative cash balances in the following funds, indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10:

Other Governmental Funds:

Miscellaneous Federal Grants	\$2,518
EDGE Grants	75,931

Although the cash deficits were not corrected by year end, management has indicated that cash balances will be closely monitored to prevent future violations.

Note 21 – Subsequent Event

On October 28, 2024, City Council approved withdrawal from the Ohio Government Benefit Cooperative (OGBC) effective December 31, 2024. OCBC was subsequently notified of this change. As of January 1, 2025, the City has independently purchased healthcare insurance for its employees.

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 Ten Years

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.0260790%	0.0247210%	0.0241680%	0.0232370%
City's Proportionate Share of the Net Pension Liability	\$6,827,588	\$7,302,595	\$2,102,714	\$3,440,895
City's Covered Payroll	\$4,216,693	\$3,832,471	\$3,510,600	\$3,272,857
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	161.92%	190.55%	59.90%	105.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
0.0241400%	0.0244640%	0.0264780%	0.0277760%	0.0279860%	0.0284490%
\$4,771,435	\$6,700,193	\$4,153,886	\$6,307,456	\$4,847,527	\$3,431,267
\$3,396,407	\$3,303,364	\$3,499,038	\$3,600,550	\$3,473,236	\$3,487,850
140.48%	202.83%	118.72%	175.18%	139.57%	98.38%
82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

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 Seven Years (1)

	2024	2023	2022
City's Proportion of the Net Pension Asset	0.0410500%	0.0241320%	0.0237630%
City's Proportionate Share of the Net Pension Asset	\$126,181	\$56,877	\$93,627
City's Covered Payroll	\$187,425	\$114,157	\$108,336
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-67.32%	-49.82%	-86.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	144.55%	137.14%	169.88%

(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.

2021	2020	2019	2018
0.0218460%	0.0209290%	0.0213410%	0.0218760%
\$63,061	\$43,641	\$23,864	\$29,782
\$96,279	\$93,164	\$91,271	\$89,592
-65.50%	-46.84%	-26.15%	-33.24%
157.67%	145.28%	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 Eight Years (1)

	2024	2023	2022	2021
City's Proportion of the Net OPEB Liability/Asset	0.0255860%	0.0238760%	0.0232980%	0.0223840%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$230,920)	\$150,543	(\$729,728)	(\$398,788)
City's Covered Payroll	\$4,440,051	\$3,974,403	\$3,636,286	\$3,385,186
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.20%	3.79%	-20.07%	-11.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%	115.57%

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

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017
0.0233210%	0.0238760%	0.0257100%	0.0269200%
\$3,221,238	\$3,112,867	\$2,791,917	\$2,719,011
\$3,523,346	\$3,462,210	\$3,641,155	\$3,600,550
91.43%	89.91%	76.68%	75.52%
47.80%	46.33%	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 Ten Years

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.2509050%	0.2453988%	0.2552307%	0.2649430%
City's Proportionate Share of the Net Pension Liability	\$24,240,885	\$23,310,507	\$15,945,338	\$18,061,401
City's Covered Payroll	\$7,148,746	\$6,687,480	\$7,016,961	\$5,985,337
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	339.09%	348.57%	227.24%	301.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
0.2628191%	0.2717670%	0.2741820%	0.2781360%	0.2730100%	0.2726124%
\$17,704,898	\$22,183,369	\$16,827,786	\$17,616,856	\$17,562,924	\$14,122,459
\$6,534,593	\$6,070,974	\$5,992,791	\$5,871,187	\$5,562,718	\$5,435,025
270.94%	365.40%	280.80%	300.06%	315.73%	259.84%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71%

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 Eight Years (1)

	2024	2023	2022	2021
City's Proportion of the Net OPEB Liability	0.2509050%	0.2453988%	0.2552307%	0.2649430%
City's Proportionate Share of the Net OPEB Liability	\$1,831,934	\$1,747,168	\$2,797,549	\$2,807,114
City's Covered Payroll	\$7,148,746	\$6,687,480	\$7,016,961	\$5,985,337
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	25.63%	26.13%	39.87%	46.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.89%	52.59%	46.90%	45.40%

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

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017
0.2628191%	0.2717670%	0.2741820%	0.2781360%
\$2,596,057	\$2,474,856	\$15,534,767	\$13,202,490
\$6,534,593	\$6,070,974	\$5,992,791	\$5,871,187
39.73%	40.77%	259.22%	224.87%
47.08%	46.57%	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

	2024	2023	2022	2021
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$609,814	\$590,337	\$536,546	\$491,484
Contributions in Relation to the Contractually Required Contribution	<u>(609,814)</u>	<u>(590,337)</u>	<u>(536,546)</u>	<u>(491,484)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll	\$4,355,814	\$4,216,693	\$3,832,471	\$3,510,600
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$23,180	\$22,491	\$15,982	\$15,167
Contributions in Relation to the Contractually Required Contribution	<u>(23,180)</u>	<u>(22,491)</u>	<u>(15,982)</u>	<u>(15,167)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll	\$193,167	\$187,425	\$114,157	\$108,336
Pension Contributions as a Percentage of Covered Payroll	<u>12.00%</u>	<u>12.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$4,538	\$4,924	\$1,111	\$694
Contributions in Relation to the Contractually Required Contribution	<u>(4,538)</u>	<u>(4,924)</u>	<u>(1,111)</u>	<u>(694)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll (1)	\$4,569,623	\$4,440,051	\$3,974,403	\$3,636,286
OPEB Contributions as a Percentage of Covered Payroll	<u>0.10%</u>	<u>0.11%</u>	<u>0.03%</u>	<u>0.02%</u>

(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.

2020	2019	2018	2017	2016	2015
\$458,200	\$475,497	\$462,471	\$454,875	\$432,066	\$416,788
(458,200)	(475,497)	(462,471)	(454,875)	(432,066)	(416,788)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,272,857	\$3,396,407	\$3,303,364	\$3,499,038	\$3,600,550	\$3,473,236
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>
\$13,479	\$13,043	\$12,778	\$11,647	\$11,061	\$7,829
(13,479)	(13,043)	(12,778)	(11,647)	(11,061)	(7,829)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$96,279	\$93,164	\$91,271	\$89,592	\$92,175	\$65,242
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>
\$642	\$1,351	\$2,703	\$37,987	\$72,011	
(642)	(1,351)	(2,703)	(37,987)	(72,011)	
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
\$3,385,186	\$3,523,346	\$3,462,210	\$3,641,155	\$3,600,550	
<u>0.02%</u>	<u>0.04%</u>	<u>0.08%</u>	<u>1.04%</u>	<u>2.00%</u>	

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

	2024	2023	2022	2021
Net Pension Liability				
Contractually Required Contribution	\$1,681,455	\$1,514,258	\$1,414,462	\$1,480,525
Contributions in Relation to the Contractually Required Contribution	<u>(1,681,455)</u>	<u>(1,514,258)</u>	<u>(1,414,462)</u>	<u>(1,480,525)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll (1)	\$7,958,544	\$7,148,746	\$6,687,480	\$7,016,961
Pension Contributions as a Percentage of Covered Payroll	<u><u>21.13%</u></u>	<u><u>21.18%</u></u>	<u><u>21.15%</u></u>	<u><u>21.10%</u></u>
Net OPEB Liability				
Contractually Required Contribution	\$39,793	\$35,744	\$33,437	\$35,085
Contributions in Relation to the Contractually Required Contribution	<u>(39,793)</u>	<u>(35,744)</u>	<u>(33,437)</u>	<u>(35,085)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
OPEB Contributions as a Percentage of Covered Payroll	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>
Total Contributions as a Percentage of Covered Payroll	<u><u>21.63%</u></u>	<u><u>21.68%</u></u>	<u><u>21.65%</u></u>	<u><u>21.60%</u></u>

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
\$1,262,522	\$1,378,898	\$1,283,505	\$1,265,037	\$1,239,217	\$1,171,179
<u>(1,262,522)</u>	<u>(1,378,898)</u>	<u>(1,283,505)</u>	<u>(1,265,037)</u>	<u>(1,239,217)</u>	<u>(1,171,179)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$5,985,337	\$6,534,593	\$6,070,974	\$5,992,791	\$5,871,187	\$5,562,718
<u><u>21.09%</u></u>	<u><u>21.10%</u></u>	<u><u>21.14%</u></u>	<u><u>21.11%</u></u>	<u><u>21.11%</u></u>	<u><u>21.05%</u></u>
\$29,927	\$32,673	\$30,355	\$29,964	\$29,355	\$27,814
<u>(29,927)</u>	<u>(32,673)</u>	<u>(30,355)</u>	<u>(29,964)</u>	<u>(29,355)</u>	<u>(27,814)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>
<u><u>21.59%</u></u>	<u><u>21.60%</u></u>	<u><u>21.64%</u></u>	<u><u>21.61%</u></u>	<u><u>21.61%</u></u>	<u><u>21.55%</u></u>

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

Changes in Assumptions – OPERS Pension – Traditional Plan

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

	2022	2019 through 2021	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:

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

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

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

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

Changes in Assumptions – OPERS Pension – Combined Plan

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 through 2021	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 see below	3 percent, simple see below	3 percent, simple see below
Post-January 7, 2013 Retirees			
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

Since 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	See Below	See Below
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

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

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

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

Beginning in 2023, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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

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

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

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

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

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

Changes in Assumptions – OPERS OPEB

Wage Inflation:	
Beginning in 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
Beginning in 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2024	3.77 percent
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2024	5.70 percent
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2024	5.50 percent, initial
2023	3.5 percent, ultimate in 2038
2022	5.5 percent, initial
2021	3.5 percent, ultimate in 2036
2020	5.5 percent, initial
2019	3.5 percent, ultimate in 2034
2018	8.5 percent, initial
	3.5 percent, ultimate in 2035
	10.5 percent, initial
	3.5 percent, ultimate in 2030
	10.0 percent, initial
	3.25 percent, ultimate in 2029
	7.5 percent, initial
	3.25 percent, ultimate in 2028

City of South Euclid, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2024

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:

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

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

Changes in Benefit Terms – OPERS OPEB

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

Changes in Benefit Terms – OP&F OPEB

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

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

City of 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2025, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

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

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

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

City of South Euclid
Cuyahoga County
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
Page 2

Report on Compliance and Other Matters

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

Purpose of This Report

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

Zupka & Associates

Zupka & Associates
Certified Public Accountants

June 25, 2025

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

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

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF 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 9/4/2025

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

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