
Citizen Auditors of Ohio

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Governmental Funds - Historical Analysis Summary – City of South Euclid

The General Funds (including any Emergency Reserves) are a major portion of total Governmental Funds of local governments (General Fund is 61% of Governmental Funds in South Euclid) and are used to record all general operational fund(s) activity. The combined Governmental Funds are recorded for the past ten (10) years, averaged for revenues, expenditures, and other financing sources and then graphically presented for analysis in the attached analysis Exhibits “A” thru “J” and a brief description(s) are as follows:

Exhibit description(s)

Exhibit “A” – Data input from Audited Financial Reports and 10 year averages along with GFOA (Government Finance Officers Association) Fund Balance(s) recommendations, Capital Outlay compared to Annual Capital Assets Depreciation;

Exhibit “B” – Current Audit Year compared to the 10 year average and variances in percentages. Designed for comparison of current year to 10 year averages to quick analysis of financial trending;

Exhibit “C” – Graphic representation of annual revenue, expenditures, and accumulated fund balances compared to the GFOA recommendation for graphic trending of governmental operations;

Exhibit “D” – Graphic comparison of current year expenditures by various function/program to the 10 year averages;

Exhibit “E” - Graphic comparison of current year revenues by various function/source to the 10 year averages;

Exhibit “F” – Graphic representation of Governmental Funds Balance and Annual Net Changes in Funds Balance and trending averages;

Exhibit “G” – Graphic report of Annual Accumulated Depreciation compared to Annual Capital Outlay;

Exhibit “H” – Graphic Report of General Government (City Council, Mayor, Civil Service, Human Resources, Information Technology, Law Director, Finance Department, Engineering Department, Building Department, Planning Department, and Economic Development) expenditures; Security of Persons & Property (Police, Fire, Dispatch, and EMT) expenditures; Leisure Time Activities (Parks, Recreation, Liberty Park, Golf Course, Fitness Center, etc) expenditures; Transportation (Roads, Sidewalks, Storm Sewers, Snow Plowing, etc) expenditures and the 2 year moving average trend lines;

Exhibit “I” – Graphic Report of Capital Outlay (Investments in land, buildings, roads, storm sewers, fire/police equipment, dump trucks, and other capital assets) expenditures; Debt Service (Principal & Interest on bonds, etc) expenditures; Public Health (County Health Department, etc) expenditures; Community Development (includes depreciation expenses) expenditures; and 2 year moving average trend lines;

Exhibit “J” – Graphic Report of Major Governmental Revenues Sources for trending analysis.

Exhibit 'C' is a trending average of the annual total revenues, expenditures, accumulated carryover Fund Balance, and recommended minimum Governmental Fund Officers Association (GFOA). It is designed to assist in the analysis of financial resources (revenues, expenditures, fund balance) for sustainability of program services and stability of funds balance. The GFOA minimum recommendation is used as a benchmark and the actual carryover funds balance is subject to various factors including unknown financial risks to revenue sources; however, any funds balance below 25% or above 100% could be indications of under or over surplus.

Exhibit 'F' is a historical graphic of accumulated funds balance and annual net changes (gain or loss) of the operations of the Governmental Funds. The trending averages on Exhibit 'C' and 'F' indicates annual deficit spending in expenditures; a major contributor appears to be Capital Outlay which reinforces a City commitment to infrastructure maintenance. The revenues indicate relative stability of revenues (excepting the debt issuance for capital projects) with Accumulated Governmental Funds Balance declining rapidly commencing in 2010 thereby moving close to the GFOA recommended minimum balance of 25%. The trend of deficit spending should be closely monitored to maintain the Accumulated Funds Balance of \$5.9 million (23.9%) reported as of December 31, 2013.

Our overall analysis for the City of South Euclid in Cuyahoga County, Ohio indicates a strong commitment to Capital Outlay expenditures along with reductions in Property Tax Revenues and reductions to Intergovernmental Revenues by the State of Ohio have presented challenges for local governments in their efforts to maintain a balanced annual budget. Current budgetary/financial planning by the City appears to be working properly, the result being a reasonable carryover in funds balance. A review of Exhibit 'A' reveals that the accumulated carryover funds balance is close to the GFOA recommendation by 25% as of 2013.

The capital outlay for maintenance of infrastructure is a major funded program in South Euclid. It appears the City of South Euclid is continually exceeding total annual depreciation as a spending benchmark for capital outlay. Depreciation in governmental accounting is more accurately viewed in term of the depletion of assets, since there are no tax advantages to a non-profit local government, and the benefits of capital assets are used to serve the residents. The roads, sidewalks, buildings, police cars, fire equipment, dump trucks, snow plows, etc exist as tools in serving to promote the public health, safety, and welfare of its residents and therefore on average Capital Outlay expenditures in line with the annual depletion/depreciation are being watched closely by City Council and the Mayor. The Capital Outlay costs should not be viewed as a budgetary leftover program at budget time but a primary program which directly benefits the residents and it is taken seriously in South Euclid. See Exhibit 'G' for a graphic report.

In summary, our analysis reports indicate that the City of South Euclid has shown reasonable due diligence, except for a deficit in funds balance in 2011, at providing a sustainable level of services to the citizens. It appears South Euclid has maintained the General Government (Administrative) program costs which is 40% of the total expenditures in Security of Persons & Property for 2013. The average of General Government to Public Safety expenditures should be approximately 35-40% when compared to other communities in Cuyahoga County which would indicate they are spending close to the average which is positive.

This report is prepared and presented for an analysis of Governmental Funds historical data from audited financial reports (State Auditor Website) of the governmental funds. The purpose is to report whether or not the City of South Euclid is providing for the sustainable utilization of Governmental funds and there financial resources in providing for the basic governmental service operations and capital outlay of the City of South Euclid. It appears from our analysis reports that the City of South Euclid is reasonably providing for the sustainable and stable provision of basic health, safety, and welfare of its residents.

Several recommendations for consideration by City of South Euclid would be to consider initiating a minimum fund balance policy for all major funds to provide a stable benchmark for budgetary and financial planning purposes. This issue(s)

should also be considered for inclusion in the notes to the financial statements. Another would be utilizing five year budgetary forecasts in their financial planning forecasts. There are many sources of templates for the preparation of five year budgetary/planning forecasts and we would be happy to provide any we have available to the City of South Euclid.

If anyone reviewing this report has any questions, issue(s), or concerns, please contact Citizen Auditors of Ohio at the contact information contained hereon. The data and opinions contained in this report are those of Mr. Loren Sengstock, Citizen Auditor. The reports and any opinions contained herein are those of Citizen Auditors of Ohio only and no charges for or expenses were incurred in the production thereof.

City of South Euclid - Cuyahoga County, Ohio
Historical Report of Governmental Funds

Exhibit 'A'

Description	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	Annual 10 Year Average (1)	Annual 10 Year Average % (1)
Revenues:												
Property Taxes	\$ 4,270,696	\$ 4,799,487	\$ 4,461,493	\$ 4,900,091	\$ 5,534,076	\$ 5,453,873	\$ 5,501,086	\$ 5,268,129	\$ 5,279,878	\$ 5,265,227	\$ 5,073,404	22.7%
Municipal Income Taxes	\$ 8,702,831	\$ 8,662,240	\$ 8,722,342	\$ 8,290,533	\$ 8,311,273	\$ 8,463,897	\$ 8,674,233	\$ 6,741,479	\$ 5,594,529	\$ 5,349,183	\$ 7,751,254	34.7%
Rentals	\$ 58,346	\$ 123,579	\$ 123,152	\$ 126,271	\$ 130,790	\$ 122,628	\$ 620,707	\$ 158,687	\$ 184,116	\$ 166,792	\$ 181,507	0.8%
Intergovernmental	\$ 4,682,140	\$ 3,572,188	\$ 5,729,726	\$ 5,687,247	\$ 3,745,257	\$ 3,444,675	\$ 3,965,660	\$ 3,311,300	\$ 3,205,613	\$ 3,026,880	\$ 4,037,069	18.0%
Charges for Services	\$ 751,389	\$ 685,149	\$ 617,720	\$ 608,561	\$ 640,340	\$ 996,316	\$ 587,344	\$ 306,598	\$ 257,754	\$ 346,546	\$ 579,772	2.6%
Fees, Licenses & Permits	\$ 720,679	\$ 726,128	\$ 515,075	\$ 27,587	\$ 474,395	\$ 451,096	\$ 416,655	\$ 606,335	\$ 638,644	\$ 534,101	\$ 511,070	2.3%
Fines & Forfeitures	\$ 757,748	\$ 683,651	\$ 679,711	\$ 1,151,835	\$ 686,194	\$ 643,670	\$ 547,248	\$ 578,346	\$ 472,986	\$ 521,519	\$ 672,291	3.0%
Special Assessments	\$ 2,873,052	\$ 2,991,230	\$ 2,878,565	\$ 2,721,858	\$ 2,863,451	\$ 2,725,157	\$ 3,019,836	\$ 2,841,329	\$ 2,891,889	\$ 2,879,471	\$ 2,868,584	12.8%
Investment Income	\$ 20,375	\$ 35,813	\$ 50,287	\$ 71,301	\$ 155,891	\$ 426,403	\$ 1,014,924	\$ 766,878	\$ 459,995	\$ 163,416	\$ 316,528	1.4%
Contributions & Donations	\$ 9,072	\$ 10,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,945	0.0%
Miscellaneous Income	\$ 244,154	\$ 474,843	\$ 863,950	\$ 668,973	\$ 500,572	\$ 521,451	\$ 220,916	\$ 152,374	\$ 79,832	\$ 31,795	\$ 375,886	1.7%
Total Revenues	\$ 23,090,482	\$ 22,764,686	\$ 24,642,021	\$ 24,254,257	\$ 23,042,239	\$ 23,249,166	\$ 24,568,609	\$ 20,731,455	\$ 19,065,236	\$ 18,284,930	\$ 22,369,308	100.0%
Expenditures:												
Security of Persons & Property	\$ 9,486,398	\$ 9,356,536	\$ 9,093,819	\$ 9,562,905	\$ 9,781,652	\$ 9,523,866	\$ 8,984,172	\$ 8,327,670	\$ 7,923,107	\$ 7,656,489	\$ 8,969,661	29.7%
Public Health	\$ 134,290	\$ 131,696	\$ 125,129	\$ 127,799	\$ 129,249	\$ 133,196	\$ 135,702	\$ 130,178	\$ 127,609	\$ 136,516	\$ 131,136	0.4%
Leisure Time Activities	\$ 502,990	\$ 492,285	\$ 514,638	\$ 619,949	\$ 669,982	\$ 734,023	\$ 699,731	\$ 645,018	\$ 608,058	\$ 745,038	\$ 623,171	2.1%
Community Development	\$ 263,078	\$ 198,062	\$ 241,334	\$ 215,342	\$ 244,319	\$ 294,638	\$ 236,405	\$ 204,704	\$ 219,507	\$ 185,669	\$ 230,306	0.8%
Basic Utility Services	\$ 2,107,719	\$ 2,463,543	\$ 2,948,728	\$ 3,342,089	\$ 2,282,521	\$ 2,480,311	\$ 2,280,720	\$ 2,135,250	\$ 1,840,926	\$ 1,930,402	\$ 2,381,221	7.9%
Transportation	\$ 1,834,012	\$ 1,685,118	\$ 1,779,430	\$ 2,830,847	\$ 2,089,754	\$ 2,247,498	\$ 2,237,033	\$ 1,748,928	\$ 1,940,539	\$ 1,779,840	\$ 2,017,300	6.7%
General Government	\$ 3,796,030	\$ 3,810,642	\$ 3,560,478	\$ 3,524,927	\$ 3,888,916	\$ 4,057,613	\$ 3,571,704	\$ 3,521,454	\$ 3,136,915	\$ 3,181,129	\$ 3,604,981	11.9%
Capital Outlay	\$ 5,220,829	\$ 6,779,249	\$ 7,402,479	\$ 2,738,593	\$ 2,654,497	\$ 4,004,012	\$ 10,014,436	\$ 3,821,801	\$ 3,208,757	\$ 2,583,885	\$ 4,842,854	16.0%
Debt Service (a)	\$ 2,218,310	\$ 1,698,931	\$ 2,040,190	\$ 21,471,289	\$ 20,718,456	\$ 19,760,094	\$ 1,836,328	\$ 1,590,959	\$ 1,497,952	\$ 1,480,110	\$ 7,431,262	24.6%
Total Expenditures	\$ 25,563,656	\$ 26,616,062	\$ 27,706,225	\$ 44,433,740	\$ 42,459,346	\$ 43,235,251	\$ 29,996,231	\$ 22,125,962	\$ 20,503,370	\$ 19,679,078	\$ 30,231,892	100.0%
Operating Income (Loss)	\$ (2,473,174)	\$ (3,851,376)	\$ (3,064,204)	\$ (20,179,483)	\$ (19,417,107)	\$ (19,986,085)	\$ (5,427,622)	\$ (1,394,507)	\$ (1,438,134)	\$ (1,394,148)	\$ (7,862,584)	
Other Financing Sources (Transfers)	\$ 233,865	\$ 16,781,508	\$ (10,301,427)	\$ 2,539,932	\$ 18,707,912	\$ 18,488,105	\$ 19,059,839	\$ 530,217	\$ 10,412	\$ 361,932	\$ 6,641,230	
Net Change in Fund Balance	\$ (2,239,309)	\$ 12,930,132	\$ (13,365,631)	\$ (17,639,551)	\$ (709,195)	\$ (1,497,980)	\$ 13,632,217	\$ (864,290)	\$ (1,427,722)	\$ (1,032,216)	\$ (1,221,355)	
Fund Balance (Deficit) Beginning of Year	\$ 8,183,804	\$ (5,078,428)	\$ 8,287,203	\$ 25,926,754	\$ 26,635,949	\$ 28,133,929	\$ 14,501,712	\$ 15,366,002	\$ 16,793,724	\$ 17,825,940	\$ 15,657,659	
Fund Balance (Deficit) End of Year	\$ 5,944,495	\$ 7,851,704	\$ (5,078,428)	\$ 8,287,203	\$ 25,926,754	\$ 26,635,949	\$ 28,133,929	\$ 14,501,712	\$ 15,366,002	\$ 16,793,724	\$ 14,436,304	
Ending Fund Balance as % of Expenditures (1)	23.3%	29.5%	-18.3%	18.7%	61.1%	61.6%	93.8%	65.5%	74.9%	85.3%	47.8%	
Cash & Cash Equivalents - End of Year	\$ 7,644,762	\$ 10,059,067	\$ 11,941,913	\$ 10,919,362	\$ 9,616,705	\$ 11,089,971	\$ 13,886,475	\$ 16,815,036	\$ 15,490,138	\$ 16,898,593	\$ 12,436,202	
Cash & Cash Equivalents as % of Expenditures (1)	29.9%	37.8%	43.1%	24.6%	22.6%	25.7%	46.3%	76.0%	75.5%	85.9%	41.1%	
Ending Fund Balance at GFOA 25% Average(1)	\$ 6,390,914	\$ 6,654,016	\$ 6,926,556	\$ 11,108,435	\$ 10,614,837	\$ 10,808,813	\$ 7,499,058	\$ 5,531,491	\$ 5,125,843	\$ 4,919,770	\$ 7,557,973	
Ending Fund Balance as % = GFOA 25% Average (1)	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Excess Ending Fund Balance Vs. GFOA 25% Average (1)	\$ (446,419)	\$ 1,197,689	\$ (12,004,984)	\$ (2,821,232)	\$ 15,311,918	\$ 15,827,136	\$ 20,634,871	\$ 8,970,222	\$ 10,240,160	\$ 11,873,955	\$ 6,878,331	
Excess % Fund Balance More (Less) than GFOA Average (1)	-7.0%	18.0%	-173.3%	-25.4%	144.3%	146.4%	275.2%	162.2%	199.8%	241.4%	91.0%	
Annual Governmental Funds Depreciation Expensed	\$ 2,277,651	\$ 2,173,743	\$ 2,113,691	\$ 1,926,011	\$ 1,976,928	\$ 1,801,591	\$ 1,676,119	\$ 1,783,923	\$ 1,666,898	\$ 1,686,526		
Annual Capital Outlay - Governmental Funds	\$ 5,220,829	\$ 6,779,249	\$ 7,402,479	\$ 2,738,593	\$ 2,654,497	\$ 4,004,012	\$ 10,014,436	\$ 3,821,801	\$ 3,208,757	\$ 2,583,885		
Accumulated Governmental Funds Depreciation	\$ 2,277,651	\$ 4,451,394	\$ 6,565,085	\$ 8,491,096	\$ 10,468,024	\$ 12,269,615	\$ 13,945,734	\$ 15,729,657	\$ 17,396,555	\$ 19,083,081		
Accumulated Capital Outlay - Governmental Funds	\$ 5,220,829	\$ 12,000,078	\$ 19,402,557	\$ 22,141,150	\$ 24,795,647	\$ 28,799,659	\$ 38,814,095	\$ 42,635,896	\$ 45,844,653	\$ 48,428,538		

Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields (a) The fluctuations in debt service as a percentage of noncapital expenditures is the result of the City paying off Bond Anticipation Notes until Bonds can be issued.

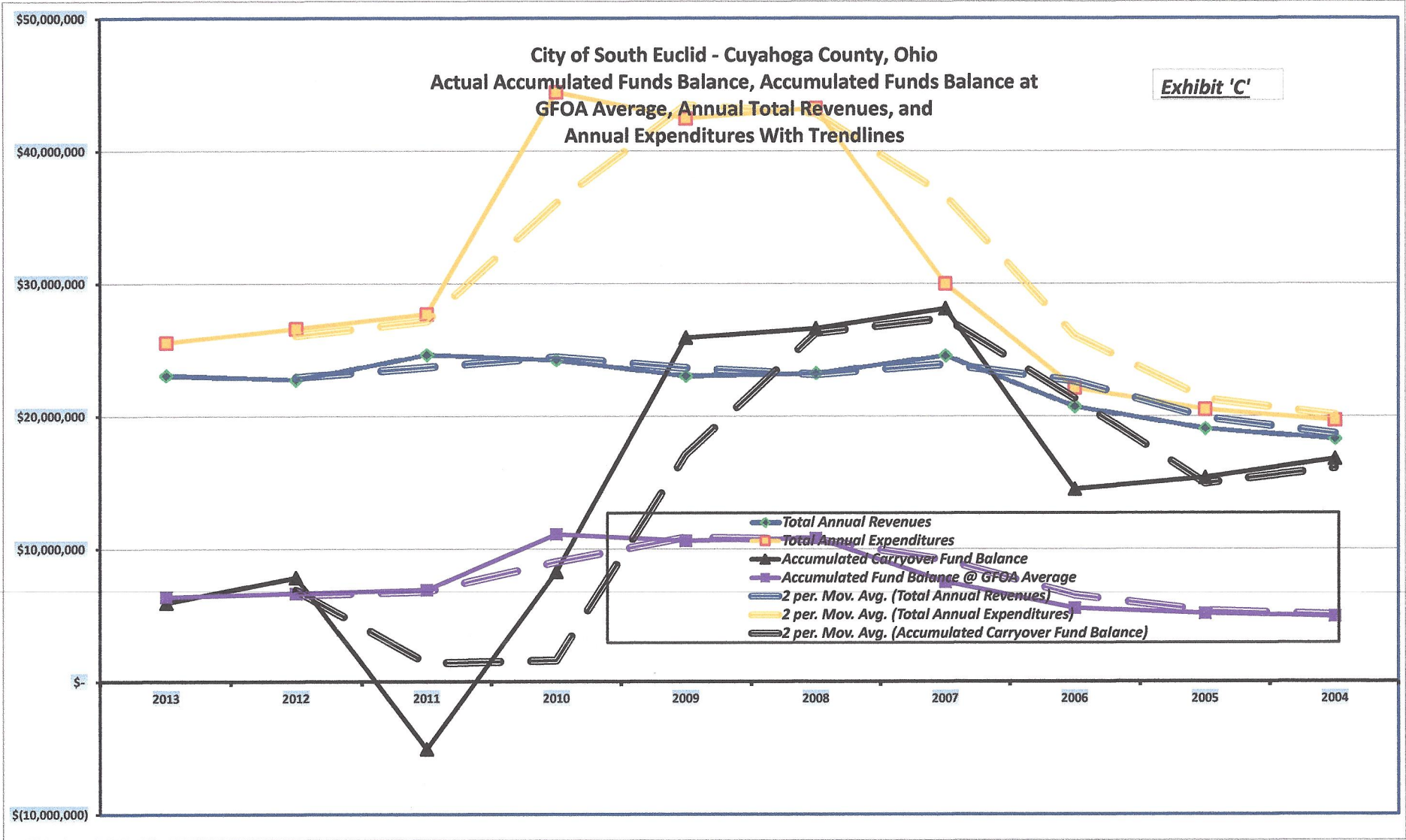
City of South Euclid - Cuyahoga County, Ohio Historical Report of Governmental Funds - Variance Report 2013 Vs. 10 Year Average

Exhibit 'B'

Description	2013	2013 % of Total	Annual 10 Year Average	Annual 10 Year % of Total	Variance 2013 to 10 Yr Average	Variance 2013 to 10 Yr %
			(1)	(1)	(1)	(1)
Revenues:						
Property Taxes	\$ 4,270,696	18.5%	\$ 5,073,404	22.7%	\$ (802,708)	-15.8%
Municipal Income Taxes	\$ 8,702,831	37.7%	\$ 7,751,254	34.7%	\$ 951,577	12.3%
Rentals	\$ 58,346	0.3%	\$ 181,507	0.8%	\$ (123,161)	-67.9%
Intergovernmental	\$ 4,682,140	20.3%	\$ 4,037,069	18.0%	\$ 645,071	16.0%
Charges for Services	\$ 751,389	3.3%	\$ 579,772	2.6%	\$ 171,617	29.6%
Fees, Licenses & Permits	\$ 720,679	3.1%	\$ 511,070	2.3%	\$ 209,610	41.0%
Fines & Forfeitures	\$ 757,748	3.3%	\$ 672,291	3.0%	\$ 85,457	12.7%
Special Assessments	\$ 2,873,052	12.4%	\$ 2,868,584	12.8%	\$ 4,468	0.2%
Investment Income	\$ 20,375	0.1%	\$ 316,528	1.4%	\$ (296,153)	-93.6%
Contributions & Donations	\$ 9,072	0.0%	\$ 1,945	0.0%	\$ 7,127	366.4%
Miscellaneous Income	\$ 244,154	1.1%	\$ 375,886	1.7%	\$ (131,732)	300.9%
Total Revenues	\$ 23,090,482	100.0%	\$ 22,369,308	100.0%	\$ 721,174	3.2%
Expenditures:						
Security of Persons & Property	\$ 9,486,398	37.1%	\$ 8,969,661	29.7%	\$ 516,737	5.8%
Public Health	\$ 134,290	0.5%	\$ 131,136	0.4%	\$ 3,154	2.4%
Leisure Time Activities	\$ 502,990	2.0%	\$ 623,171	2.1%	\$ (120,181)	-19.3%
Community Development	\$ 263,078	1.0%	\$ 230,306	0.8%	\$ 32,772	14.2%
Basic Utility Services	\$ 2,107,719	8.2%	\$ 2,381,221	7.9%	\$ (273,502)	-11.5%
Transportation	\$ 1,834,012	7.2%	\$ 2,017,300	6.7%	\$ (183,288)	-9.1%
General Government	\$ 3,796,030	14.8%	\$ 3,604,981	11.9%	\$ 191,049	5.3%
Capital Outlay	\$ 5,220,829	20.4%	\$ 4,842,854	16.0%	\$ 377,975	7.8%
Debt Service (a)	\$ 2,218,310	8.7%	\$ 7,431,262	24.6%	\$ (5,212,952)	-70.1%
Total Expenditures	\$ 25,563,656	100.0%	\$ 30,231,892	100.0%	\$ (4,668,236)	-15.4%
Operating Income (Loss)	\$ (2,473,174)		\$ (7,862,584)		\$ 5,389,410	-98.1%
Other Financing Sources (Transfers)	\$ 233,865		\$ 6,641,230		\$ (6,407,365)	-96.5%
Net Change in Fund Balance	\$ (2,239,309)		\$ (1,221,355)		\$ (1,017,955)	83.3%
Fund Balance (Deficit) Beginning of Year	\$ 8,183,804		\$ 15,657,659		\$ (7,473,855)	-47.7%
Fund Balance (Deficit) End of Year	\$ 5,944,495		\$ 14,436,304		\$ (8,491,809)	-58.8%
Ending Fund Balance as % of Expenditures (1)	23.3%		47.8%		-24.5%	

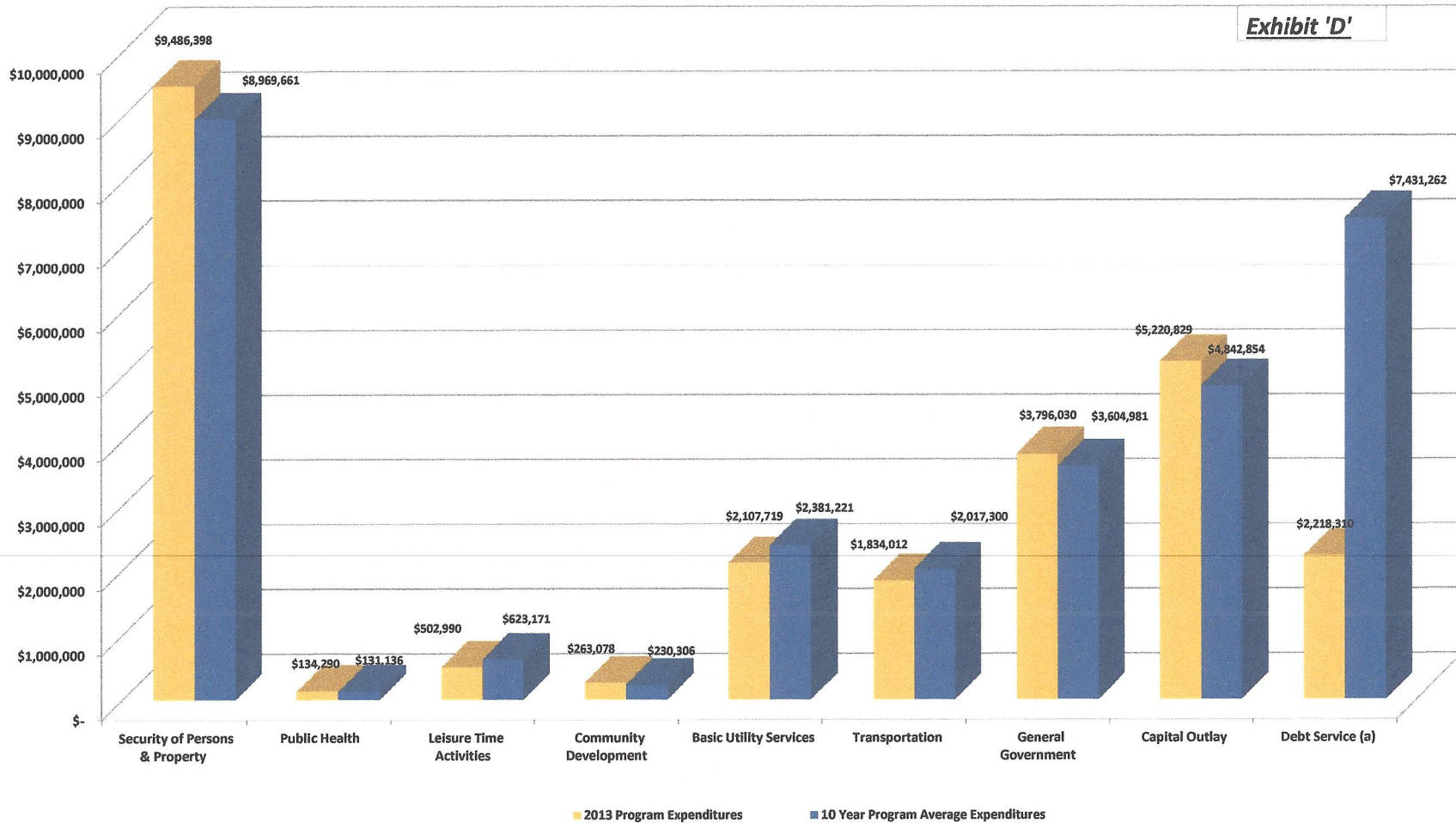
Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields (a) The fluctuations in debt service as a percentage of noncapital expenditures is the result of the City paying off Bond Anticipation Notes until Bonds can be issued.



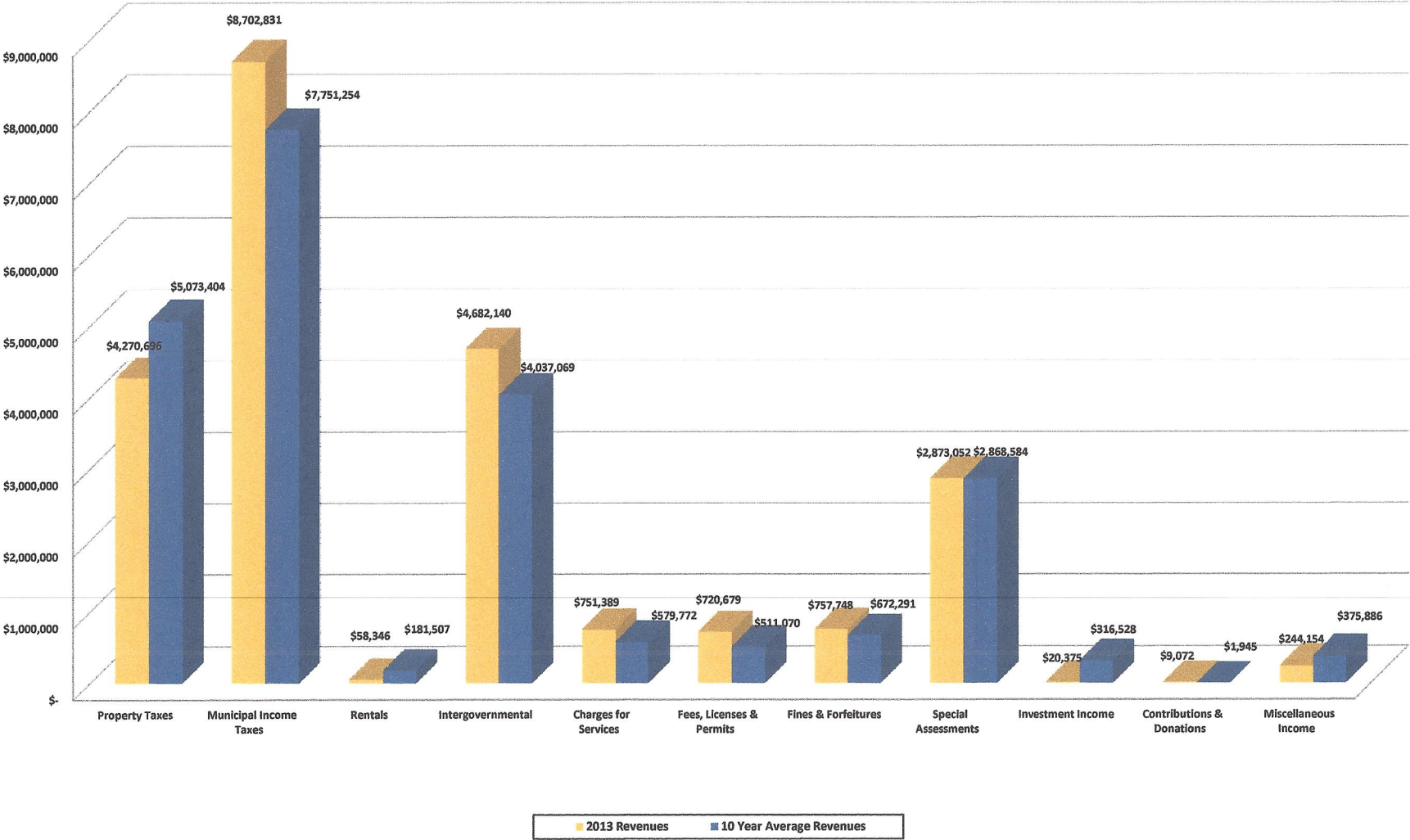
Comparative 2013 Vs. 10 Year Average Expenditures by Program

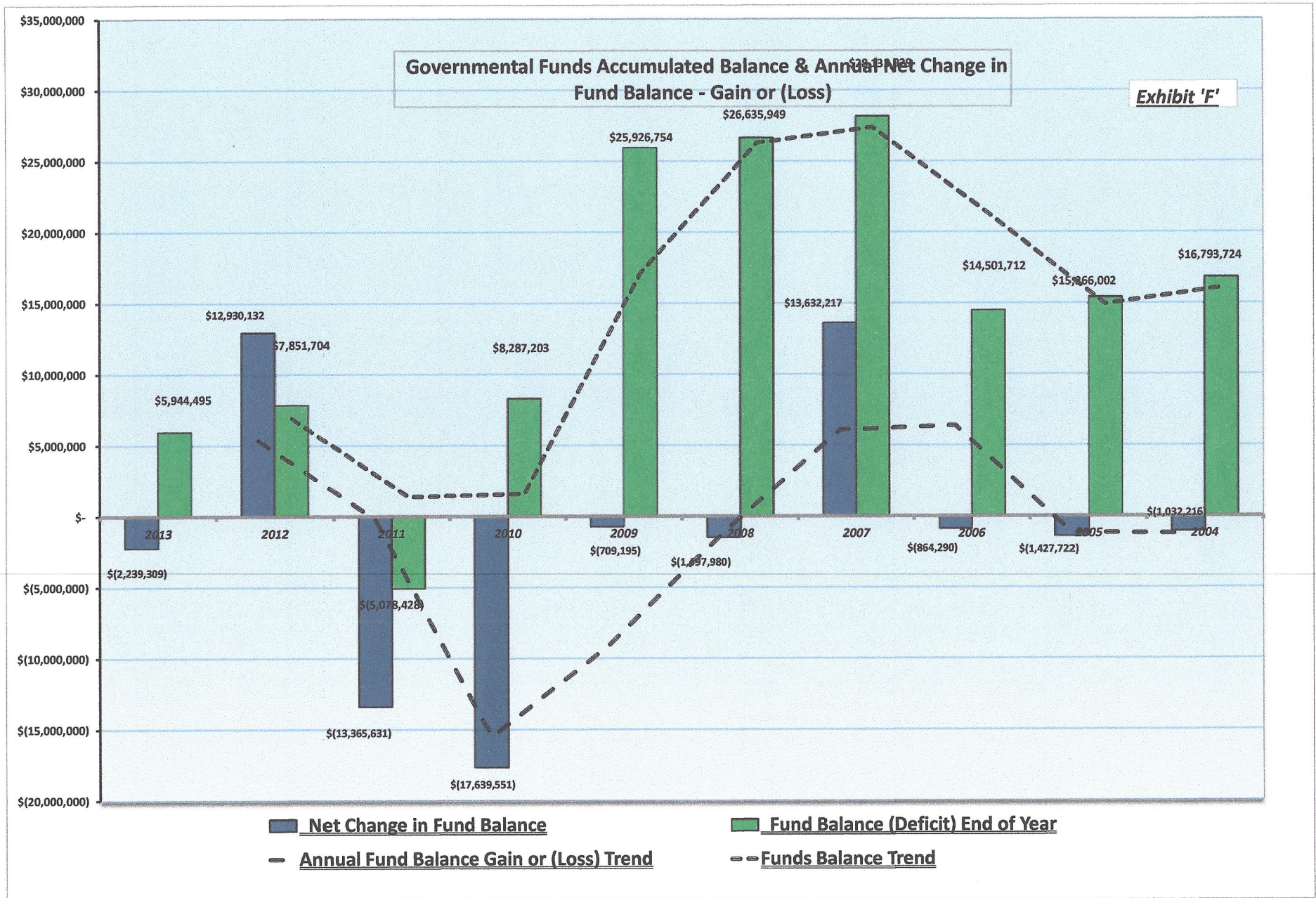
Exhibit 'D'



Comparative 2013 Vs. 10 Year Average Revenues by Source

Exhibit 'E'





Annual Accumulated Depreciation and Annual Accumulated Capital Outlay 2004-2013

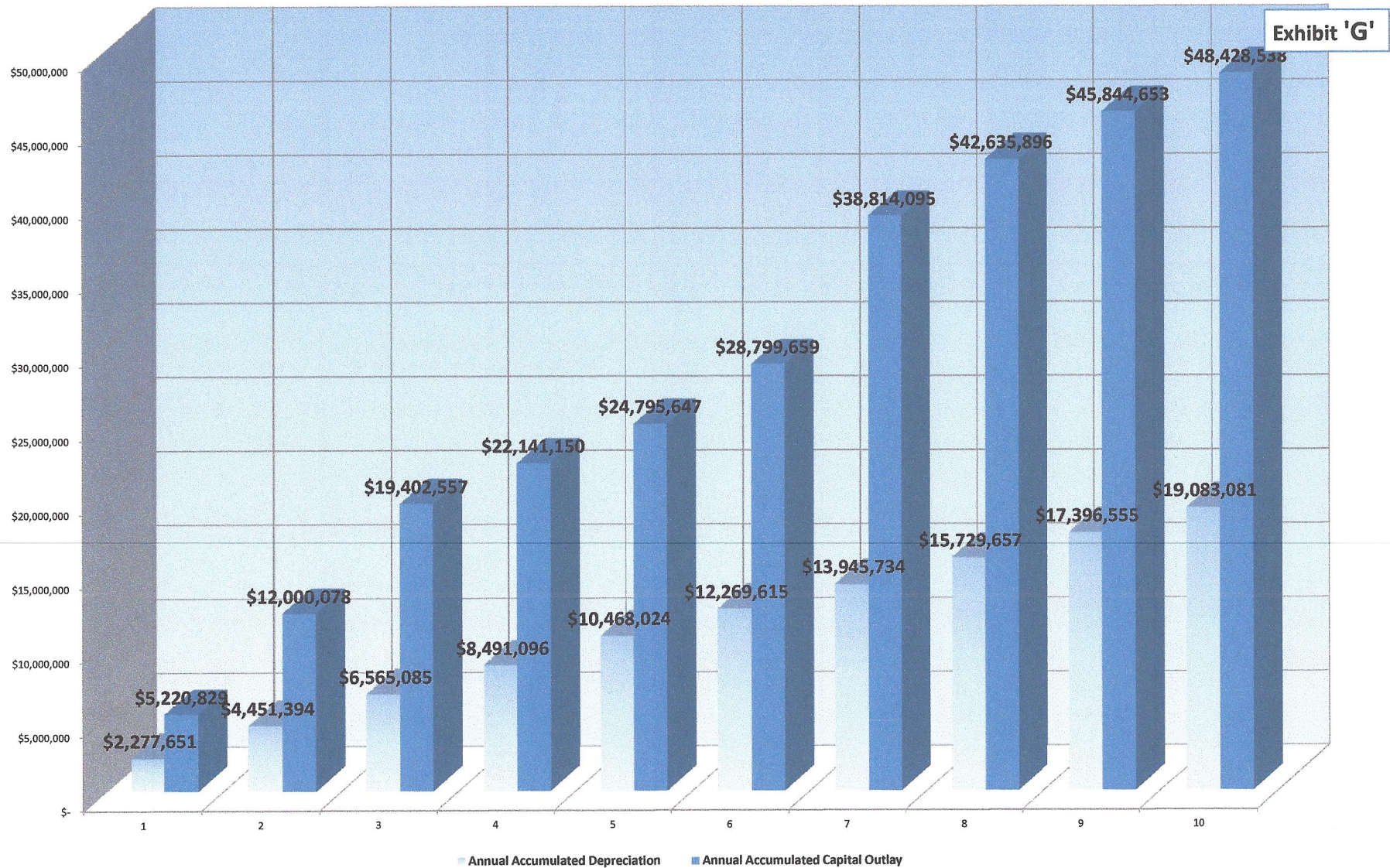
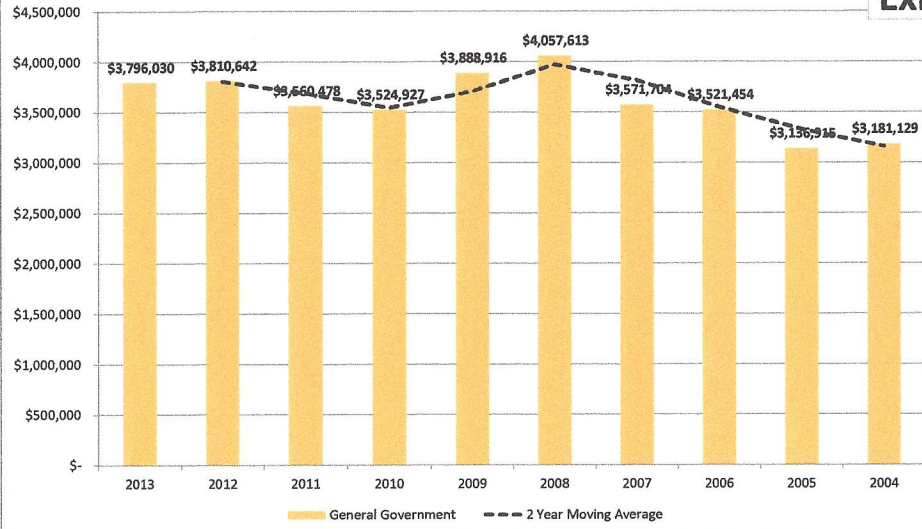
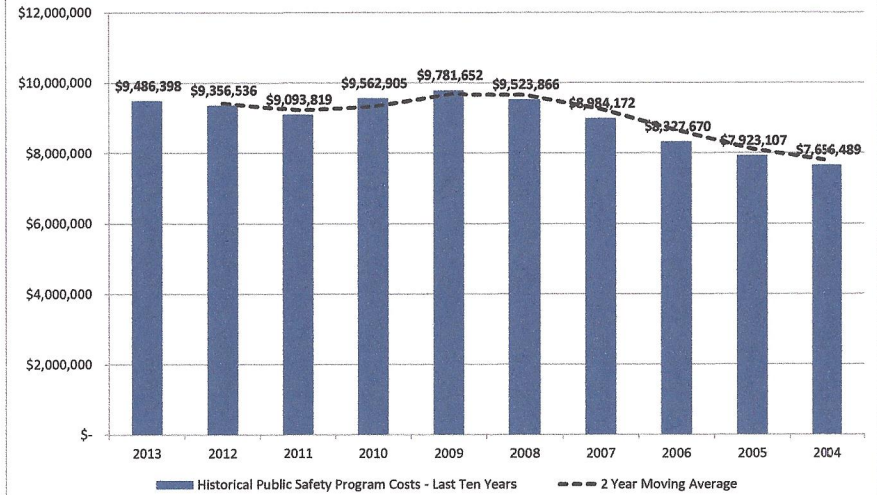


Exhibit H

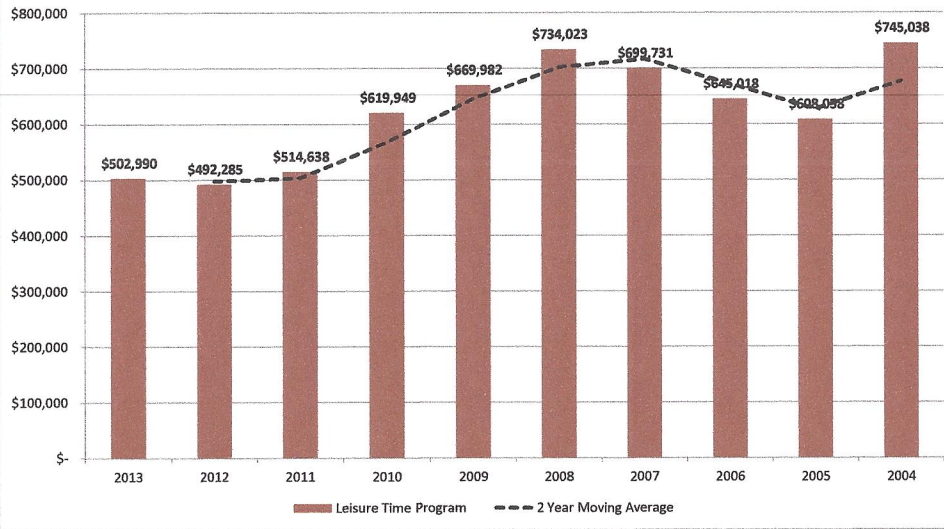
General Government Expenditures Last Ten Years



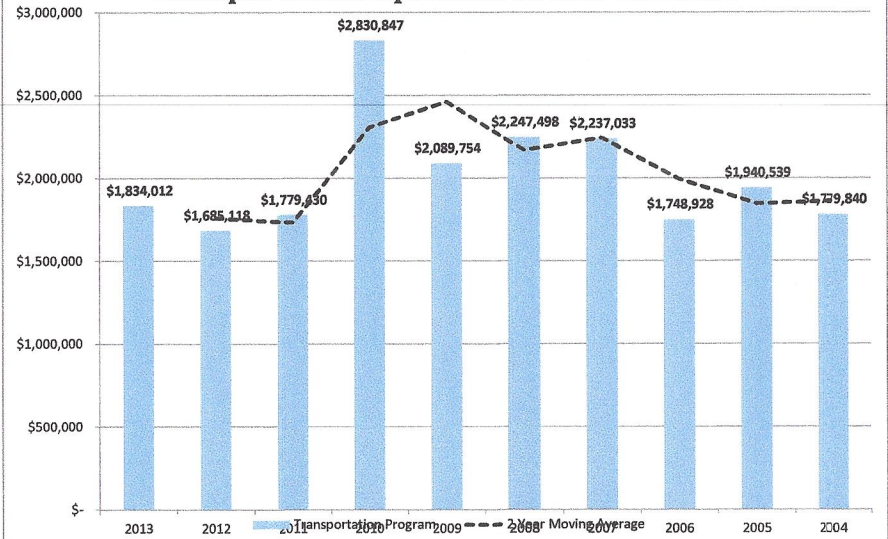
Security of Persons & Property Expenditures Last Ten Years



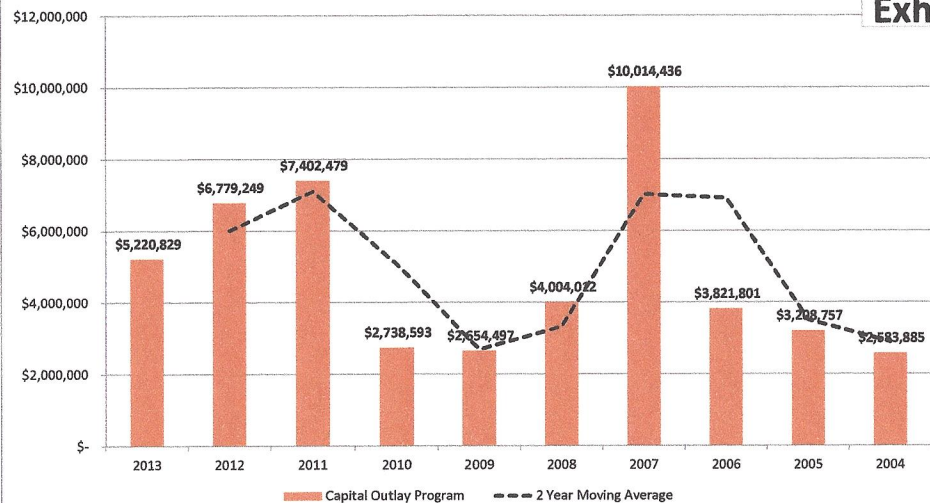
Leisure Time Expenditures Last Ten Years



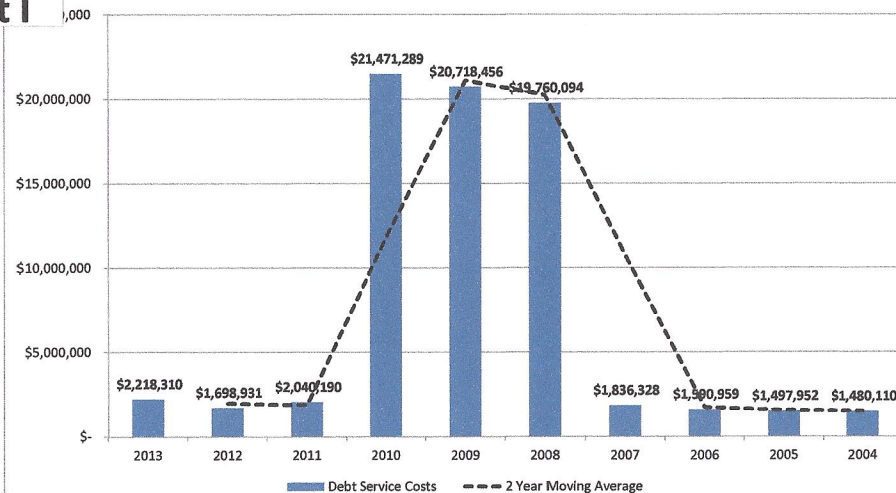
Transportation Expenditures Last Ten Years



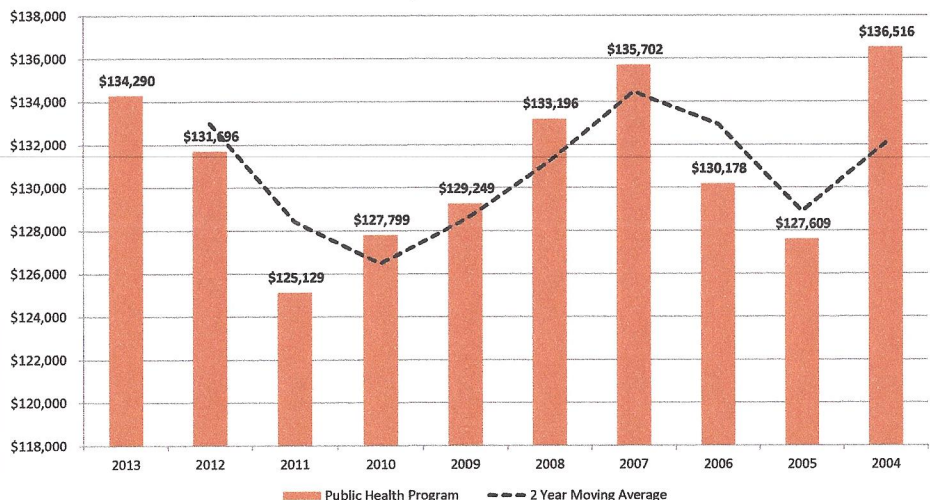
Capital Outlay Expenditures Last Ten Years



Debt Service Expenditures Last Ten Years



Public Health Expenditures Last Ten Years



Community Development Expenditures Last Ten Years

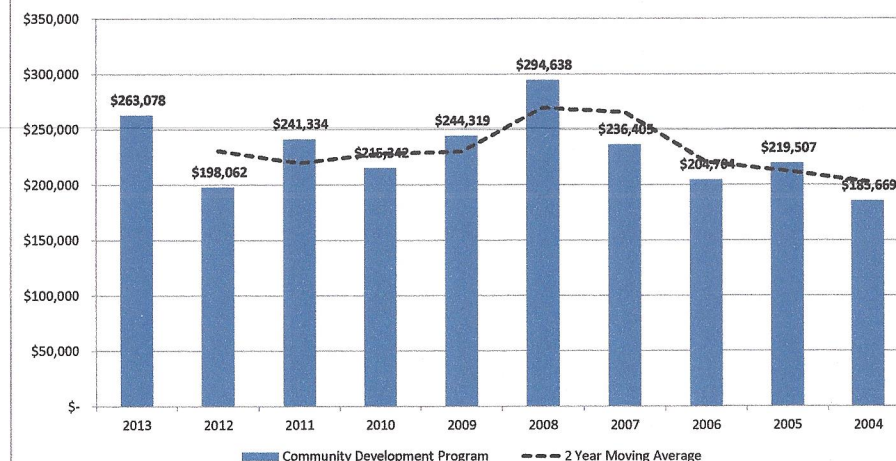
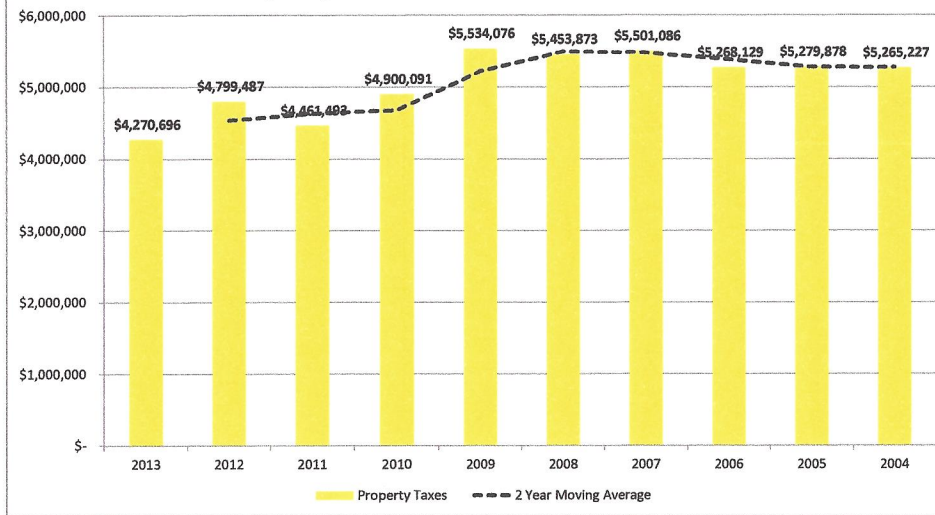
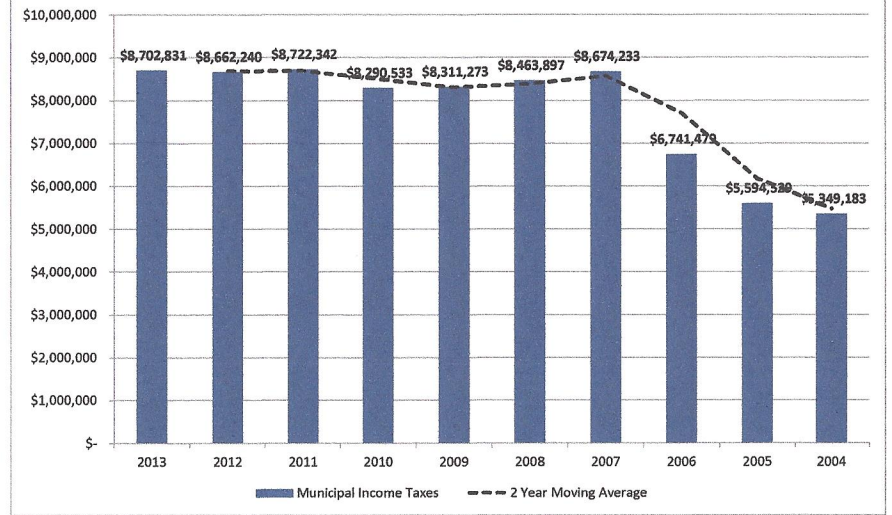


Exhibit J

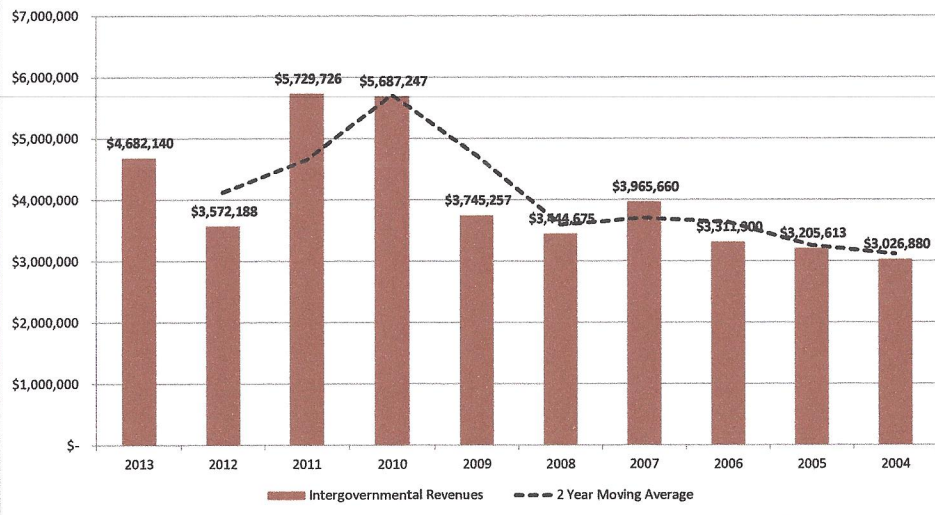
Property Tax Revenues - Last Ten Years



Municipal Income Taxes - Last Ten Years



Intergovernmental Revenues - Last Ten Years



Charges for Services Revenues - Last Ten Years

