

CITY OF CHARDON

GEAUGA COUNTY

Regular Audit

For the Year Ended December 31, 2024





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Columbus, Ohio 43215
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City Council
City of Chardon
111 Water Street
Chardon, OH 44024

We have reviewed the *Independent Auditor's Report* of the City of Chardon, Geauga County, prepared by Charles E. Harris & Associates, Inc., 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.

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 Chardon is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

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

October 07, 2025

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Geauga County
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INDEPENDENT AUDITOR'S REPORT

City of Chardon
Geauga County
111 Water Street
Chardon, OH 44024

To the Members of the City Council:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chardon, Geauga 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position and where applicable, cashflows thereof and the budgetary comparison for the General and Fire and Emergency Medical Service Levy funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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*, 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 opinion.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. We did not modify our opinion regarding this matter.

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 opinion. 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.

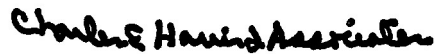
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other post-employment benefit liabilities/assets and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025 on our consideration of the City's internal control over financial reporting and 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.



Charles E. Harris & Associates, Inc.
June 27, 2025

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City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

The discussion and analysis of the City of Chardon's ("the City") 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 the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2024 are as follows:

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of this year by \$82,531,663.
- ◆ City's total net position increased \$5,494,831 during 2024. Net position of the governmental activities increased \$3,904,212, while net position of business-type activities increased as well by \$1,590,619.
- ◆ The general fund, the City's largest major governmental fund, had revenues of \$12,112,155 in 2024, or 68.9 percent of total governmental funds. Expenditures of the general fund were \$7,000,085, or 49.6 percent of total governmental funds.
- ◆ The general fund balance increased \$2,553,882, or 36.8 percent in 2024.
- ◆ Business-type operations reflected operating revenue of \$4,217,668 during 2024, and business-type unrestricted net position was \$2,023,485 at December 31, 2024.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide summary information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor governmental funds presented in total in one column. In the case of the City, there are three major governmental funds and two major business-type funds.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Government-wide Financial Statements – Reporting the City of Chardon as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and answers the question, “How did we do financially during 2024”? These statements include all assets and liabilities using the accrual basis of accounting 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. These two statements report the City’s net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions and other factors.

The Statement of Net Position and the Statement of Activities divides the City into two kinds of activities:

- **Governmental Activities** – Most of the City’s programs and services are reported here including general government, safety services, public health and welfare, and transportation. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a fee-for-usage basis to recover all or a significant portion of the expenses of the goods or services provided. The City’s business-type activities include water and sewer services.

Fund Financial Statements - Reporting the City of Chardon’s Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fund financial reports provide detailed information about the activities within the City’s major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City’s most significant funds. The City’s major governmental funds are the general fund, fire and emergency medical service levy fund and the general capital improvement fund. An analysis of the City’s major governmental funds begins on page 14.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

Proprietary funds (water and sewer) have historically operated as *enterprise funds* and are used to report the same functions presented as business-type activities in the government-wide financial statements. Since they use the same basis of accounting as business-type activities, these fund statements will essentially match the information provided in statements for the City as a whole. Internal service funds are used to report activities that provide services to the City's other funds and departments.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 28 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statements can be found starting on page 32 of this report.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 35 of this report.

Government-wide Financial Analysis - City of Chardon as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

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 (Assets plus Deferred outflows of resources minus Liabilities and Deferred inflows of resources)
- ◆ Program Expenses and Revenues
- ◆ General Revenues
- ◆ Net Position Beginning and End of Year

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Table 1 provides a summary of the City's net position for 2024 as compared to 2023.

Table 1 Net Position						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Assets:						
Current and other assets	\$ 22,355,551	\$ 18,421,349	\$ 3,346,406	\$ 3,506,331	\$ 25,701,957	\$ 21,927,680
Net OPEB asset	165,743	-	48,949	-	214,692	-
Capital assets, net	<u>46,724,542</u>	<u>47,471,005</u>	<u>33,096,724</u>	<u>32,103,384</u>	<u>79,821,266</u>	<u>79,574,389</u>
Total assets	<u>69,245,836</u>	<u>65,892,354</u>	<u>36,492,079</u>	<u>35,609,715</u>	<u>105,737,915</u>	<u>101,502,069</u>
Deferred outflows of resources:						
Pension	3,162,358	3,864,403	436,809	664,755	3,599,167	4,529,158
OPEB	<u>397,448</u>	<u>627,824</u>	<u>42,464</u>	<u>102,802</u>	<u>439,912</u>	<u>730,626</u>
Total deferred outflows of resources	<u>3,559,806</u>	<u>4,492,227</u>	<u>479,273</u>	<u>767,557</u>	<u>4,039,079</u>	<u>5,259,784</u>
Liabilities:						
Current liabilities	620,561	1,402,784	213,123	142,222	833,684	1,545,006
Long-term liabilities						
Due within one year	469,077	857,490	790,849	794,677	1,259,926	1,652,167
Due in more than one year:	-	-	-	-	-	-
Net pension liability	8,946,530	9,218,604	1,433,488	1,637,849	10,380,018	10,856,453
Net OPEB liability	309,301	392,663	-	34,665	309,301	427,328
Other amounts	<u>7,094,634</u>	<u>6,544,350</u>	<u>4,537,395</u>	<u>5,239,521</u>	<u>11,632,029</u>	<u>11,783,871</u>
Total liabilities	<u>17,440,103</u>	<u>18,415,891</u>	<u>6,974,855</u>	<u>7,848,934</u>	<u>24,414,958</u>	<u>26,264,825</u>
Deferred inflows of resources:						
Property taxes	1,739,935	1,670,631	-	-	1,739,935	1,670,631
Payments in lieu of taxes	227,000	229,000	-	-	227,000	229,000
Pension	420,095	580,424	11,377	10,232	431,472	590,656
OPEB	<u>403,897</u>	<u>390,365</u>	<u>28,069</u>	<u>11,580</u>	<u>431,966</u>	<u>401,945</u>
Total deferred inflows of resources	<u>2,790,927</u>	<u>2,870,420</u>	<u>39,446</u>	<u>21,812</u>	<u>2,830,373</u>	<u>2,892,232</u>
Net Position:						
Net investment in capital assets	40,497,457	40,812,006	27,933,566	26,193,462	68,431,023	67,005,468
Restricted	5,886,797	5,570,668	-	-	5,886,797	5,570,668
Unrestricted	<u>6,190,358</u>	<u>2,715,596</u>	<u>2,023,485</u>	<u>2,313,064</u>	<u>8,213,843</u>	<u>5,028,660</u>
Total net position	<u>\$ 52,574,612</u>	<u>\$ 49,098,270</u>	<u>\$ 29,957,051</u>	<u>\$ 28,506,526</u>	<u>\$ 82,531,663</u>	<u>\$ 77,604,796</u>

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Over time, net position can serve as a useful indicator of a government's financial position. As displayed in Table 1. At December 31, 2024, the City's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$82,531,663. This amounts to \$52,574,612 in governmental activities and \$29,957,051 in business-type activities.

The largest portion of the City's net position (82.9 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's governmental net position, \$5,886,797 or 11.2 percent, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net position, \$2,503,886 is restricted for capital projects, \$1,631,225 is restricted for transportation, \$905,857 is restricted for security of persons and property and \$845,829 is restricted for other purposes. The remaining significant balance of governmental activities unrestricted net position is a balance of \$6,190,358. The impact on net position that is from reporting a net pension and net other post-employment benefit liability is explained later on beginning on page 13.

Total assets for 2024 increased \$4,235,846 or 4.2 percent when compared to 2023. The increase in total assets was primarily due to an increase in equity in pooled cash and cash equivalents and income tax during the year in governmental activities.

The City has continued to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. State statute and City investment policy allows for investments with maturities of five years or less. As of December 31, 2024, the City has staggered the maturities of these investments with some maturing each year for the next five years.

The net position of the City's business-type activities increased 5.6 percent in 2024. This increase was due to conservative spending not significant to any single item during the year. The City generally can only use this net position to finance the continuing operations of the sewer and water systems operations.

The City's statement of activities prepared on an accrual basis of accounting includes an annual pension/OPEB expense for their proportionate share of each plan's change in net pension/OPEB liability or asset not accounted for as deferred inflows/outflows. The City is also reporting a net pension/OPEB liability and deferred inflows/outflows of resources related to pension/OPEB on the accrual basis of accounting in the statement of net position.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

In order to further understand what makes up the changes in net position for the current year, Table 2 provides further details regarding the results of activities for the current year.

Table 2 Changes in Net Position						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Program Revenue:						
Charges for services	\$ 2,782,488	\$ 2,456,505	\$ 4,217,668	\$ 4,133,594	\$ 7,000,156	\$ 6,590,099
Operating grants and contributions	1,904,205	1,511,523	27,852	4,025	1,932,057	1,515,548
Capital grants and contributions	285,760	65,520	365,732	-	651,492	65,520
Total program revenues	<u>4,972,453</u>	<u>4,033,548</u>	<u>4,611,252</u>	<u>4,137,619</u>	<u>9,583,705</u>	<u>8,171,167</u>
General Revenues:						
Property taxes	1,700,932	1,708,203	-	-	1,700,932	1,708,203
Income taxes	10,033,494	7,950,242	-	-	10,033,494	7,950,242
Grant and entitlements	294,253	398,423	-	-	294,253	398,423
Payments in lieu of taxes	230,182	232,365	-	-	230,182	232,365
Gain on sale of capital assets	-	82,550	-	-	-	82,550
Investment earnings	693,828	446,907	82,178	81,129	776,006	528,036
Other	325,587	339,291	-	-	325,587	339,291
Total general revenues	<u>13,278,276</u>	<u>11,157,981</u>	<u>82,178</u>	<u>81,129</u>	<u>13,360,454</u>	<u>11,239,110</u>
Total revenues	<u>18,250,729</u>	<u>15,191,529</u>	<u>4,693,430</u>	<u>4,218,748</u>	<u>22,944,159</u>	<u>19,410,277</u>
Program Expenses:						
General government	4,571,115	4,466,946	-	-	4,571,115	4,466,946
Security of persons and property	4,402,129	4,680,162	-	-	4,402,129	4,680,162
Public health services	59,277	64,694	-	-	59,277	64,694
Transportation	3,228,338	3,030,655	-	-	3,228,338	3,030,655
Community environment	272,831	281,772	-	-	272,831	281,772
Leisure time activities	750,378	671,633	-	-	750,378	671,633
Intergovernmental	849,988	-	-	-	849,988	-
Interest and fiscal charges	45,792	50,370	-	-	45,792	50,370
Water	-	-	1,335,415	1,272,394	1,335,415	1,272,394
Sewer	-	-	1,934,065	1,947,692	1,934,065	1,947,692
Total program expenses	<u>14,179,848</u>	<u>13,246,232</u>	<u>3,269,480</u>	<u>3,220,086</u>	<u>17,449,328</u>	<u>16,466,318</u>
Excess before transfers and contributions	4,070,881	1,945,297	1,423,950	998,662	5,494,831	2,943,959
Transfers and contributions	<u>(166,669)</u>	<u>202,143</u>	<u>166,669</u>	<u>(202,143)</u>	<u>-</u>	<u>-</u>
Change in net position	3,904,212	2,147,440	1,590,619	796,519	5,494,831	2,943,959
Net position at beginning of year, as restated	<u>48,670,400</u>	<u>46,950,830</u>	<u>28,366,432</u>	<u>27,710,007</u>	<u>77,036,832</u>	<u>74,660,837</u>
Net position at end of year	<u>\$52,574,612</u>	<u>\$49,098,270</u>	<u>\$29,957,051</u>	<u>\$28,506,526</u>	<u>\$82,531,663</u>	<u>\$77,604,796</u>

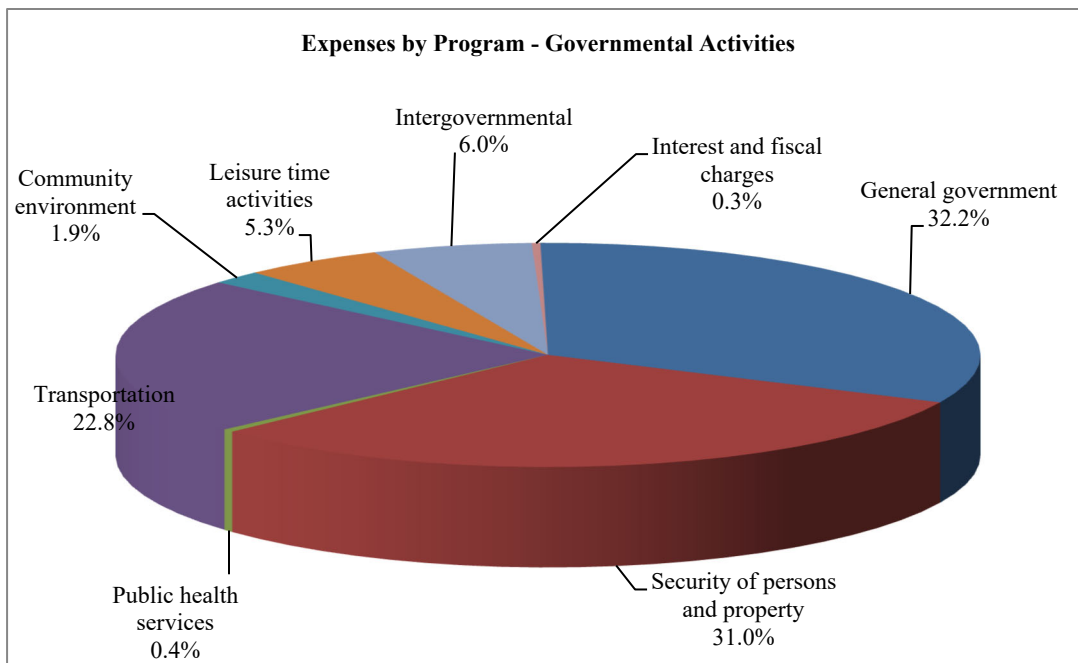
City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Governmental Activities

Several revenue sources fund the governmental activities with the City income tax being the largest contributor. The City's income tax rate is two percent on gross income effective January 1, 2005. Residents of the City who work in another community and pay the withholding tax for that community receive a 50 percent tax credit on their City tax, capped at an income tax rate of 1.0 percent on gross income.

During 2024 the revenues generated from this tax amounted to \$10,033,494. The increase in income tax revenues from 2023 was 26.2 percent. The income tax revenue amounts fluctuate from collections as well as the estimated receivable provided by a third party that collects taxes on behalf of the City. The City continues to use the delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Security of persons and property, transportation and general government are the major activities of the City generating 86.0 percent of the governmental expenses. During 2024, the Police department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. The City also continues to provide its residents and businesses with fire protection and ambulance service through a contract with the Chardon Fire Department Inc.



Intergovernmental expense is new for 2024. This expense is the City's contribution towards the improvement of the County's courthouse.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Business-Type Activities

The business-type activities of the City, which include the City's sewer and water operations, reported an increase in net position of \$1,590,619. This is due mainly from adequate revenue from charges for services exceeding the increasing operating expenses.

Overall, the City's business-type activities generated \$4,217,668 in program revenues during 2024, which covered program expenses of \$3,269,480.

As a result of implementing the accounting standards for pension and OPEB, the City is reporting a net pension and OPEB liabilities, related deferred inflows of resources and an increase in expenses for the year which have a negative effect on net position. In addition, the City is reporting, net OPEB asset (2022), deferred outflows of resources related to pension and OPEB, which have a positive impact on net position. The increase in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the City's net position, additional information is presented below.

	2024 Governmental <u>Activities</u>	2023 Governmental <u>Activities</u>	2024 Business-Type <u>Activities</u>	2023 Business-Type <u>Activities</u>
Net OPEB asset	\$ 165,743	\$ -	\$ 48,949	
Deferred outflows of resources for:				
Pension	3,162,358	3,864,403	436,809	664,755
OPEB	397,448	627,824	42,464	102,802
Deferred inflows of resources for:				
Pension	(420,095)	(580,424)	(11,377)	(10,232)
OPEB	(403,897)	(390,365)	(28,069)	(11,580)
Net pension liability	(8,946,530)	(9,218,604)	(1,433,488)	(1,637,849)
Net OPEB liability	<u>(309,301)</u>	<u>(392,663)</u>	<u>-</u>	<u>(34,665)</u>
Impact on net on position from pension and OPEB reporting	<u>\$ (6,354,274)</u>	<u>\$ (6,089,829)</u>	<u>\$ (944,712)</u>	<u>\$ (926,769)</u>
Expenses:				
General government	\$ 36,138	\$ 49,707	\$ -	\$ -
Security of persons and property	207,857	246,532	-	-
Public health services	494	736	-	-
Transportation	13,233	17,324	-	-
Community environment	2,809	3,818	-	-
Leisure time activities	3,914	5,073	-	-
Water	-	-	7,553	10,701
Sewer	-	-	10,390	14,714
Net expense impact	<u>\$ 264,445</u>	<u>\$ 323,190</u>	<u>\$ 17,943</u>	<u>\$ 25,415</u>

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

For 2024, the net expense impact of GASB Statement 68 and 75 was \$264,445 for governmental activities and \$17,943 for business-type activities. This was for reporting the changes on the City's proportionate share of the pension and other post-employment benefit liability or asset for the Ohio Public Employment Retirement board and Ohio Police & Fire Pension board (OP&F). This adjustment was a net expense which increased expenses overall.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 22. The City has three major governmental funds: the general, fire and emergency medical service levy and general capital improvement funds. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,030,733 and expenditures and other financing uses of \$17,065,328.

The general fund is the chief operating fund of the City. The fund balance at December 31, 2024 was \$9,502,944, which was a increase in fund balance of \$2,553,882 from 2023. This increase is mainly due to an increase in income tax and investment income related to changes in the adjustment to market rates.

The fire and emergency medical service levy fund balance increased by \$50,770. Fund balance at December 31, 2024, was \$673,924 while reporting \$1,147,989 in revenues and \$1,184,068 in expenditures. The general capital improvement fund balance increased by \$1,123,909 to a fund balance of \$1,988,651. This increase is primarily from a transfer in from the general fund to be used for ongoing capital improvement projects as these projects are mainly funded from transfers from the general fund. All other governmental funds fund balances increased by \$236,844 during 2024.

Overall, the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

Table 3 below reports year 2024 balances compared to 2023:

Table 3
Change in Fund Balance

	Fund Balance		Increase (Decrease)	Percent Change
	December 31, 2024	December 31, 2023		
General	\$ 9,502,944	\$ 6,949,062	\$ 2,553,882	36.8%
Fire and emergency medical service levy	673,924	623,154	50,770	8.1%
General capital improvement	1,988,651	864,742	1,123,909	130.0%
Other governmental funds	5,293,461	5,056,617	236,844	4.7%
	<u>\$ 17,458,980</u>	<u>\$ 13,493,575</u>	<u>\$ 3,965,405</u>	

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Table 4 below assists in illustrating the financial activities for the general fund of year 2024 balances compared to 2023:

Table 4
Change in Financial Activities for the General Fund

	December 31, <u>2024</u>	December 31, <u>2023</u>	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Municipal income tax	\$ 9,141,861	\$ 7,750,664	\$ 1,391,197	17.9%
Property and other taxes	518,634	435,061	83,573	19.2%
Charges for services	20,537	9,632	10,905	113.2%
Licenses and permits	333,712	283,257	50,455	17.8%
Fines and forfeitures	813,768	773,615	40,153	5.2%
Intergovernmental	161,794	295,066	(133,272)	(45.2%)
Special assessments	-	4,666	(4,666)	(100.0%)
Investment income	693,828	446,907	246,921	55.3%
Rentals	101,008	89,938	11,070	12.3%
Other	327,013	345,830	(18,817)	(5.4%)
Total revenue	<u>12,112,155</u>	<u>10,434,636</u>	<u>1,677,519</u>	
<u>Expenditures:</u>				
Current:				
General government	3,249,713	3,192,870	56,843	1.8%
Security of persons and property	2,057,359	2,312,329	(254,970)	(11.0%)
Transportation	1,410,901	1,555,864	(144,963)	(9.3%)
Community environment	221,597	210,497	11,100	5.3%
Debt service:	-			
Principal retirement	60,515	63,043	(2,528)	(4.0%)
Total expenditures	<u>\$ 7,000,085</u>	<u>\$ 7,334,603</u>	<u>\$ (334,518)</u>	

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a council meeting, which is open to the public; the budget is adopted by City Council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any object level within each department. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

Final budgeted revenues and other financing sources were \$9,651,481, which is the same as the original budgeted amount for the year. Actual revenues and other financing sources were \$12,481,316 or \$2,829,835 greater than the final budgeted amount for the year. Actual revenues exceeding the final budget amounts because of conservative budgeting practices. This increase was mainly due to income tax, investment income and other various revenue line items that were unknown during the budgeting process.

Final budgeted expenditures (excluding transfers-out) of \$8,495,015 were greater than the original budgeted expenditures by \$53,200. This change was mainly reported in the transportation function and due to increased costs associated with that function. Actual expenditures and encumbrances (excluding transfers-out) for the year were \$1,068,288 less than the final budgeted amounts. This change was mainly due to close monitoring of expenditures.

Business-Type Funds

The City's major enterprise funds consist of the water fund and sewer fund. The basic financial statements for the major funds are included in this report.

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the sewer, and water funds.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the City had \$79,821,266 invested in land and land use rights, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure.

Table 5 shows fiscal year 2024 balances of capital assets as compared to 2023:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land and land use rights	\$ 3,444,561	\$ 3,444,561	\$ 374,480	\$ 374,480	\$ 3,819,041	\$ 3,819,041
Construction in progress	470,710	1,666,037	31,498	295,674	502,208	1,961,711
Land improvements	5,641,627	5,309,333	242,678	242,678	5,884,305	5,552,011
Buildings	15,271,024	15,231,105	21,208,979	21,008,060	36,480,003	36,239,165
Machinery and equipment	2,893,103	2,599,483	4,674,247	4,532,518	7,567,350	7,132,001
Vehicles	2,705,866	2,462,983	542,460	521,814	3,248,326	2,984,797
Infrastructure						
Traffic lights	2,160,967	2,148,397	-	-	2,160,967	2,148,397
Streets and sidewalks	16,033,606	28,337,707	-	-	16,033,606	28,337,707
Storm sewers, bridges and culverts	29,747,412	15,904,048	-	-	29,747,412	15,904,048
Water lines	-	-	9,804,154	8,807,516	9,804,154	8,807,516
Sewer lines	-	-	16,864,276	16,224,681	16,864,276	16,224,681
Less: accumulated depreciation	<u>(31,644,334)</u>	<u>(29,632,649)</u>	<u>(20,646,048)</u>	<u>(19,904,037)</u>	<u>(52,290,382)</u>	<u>(49,536,686)</u>
Total capital assets	<u>\$ 46,724,542</u>	<u>\$ 47,471,005</u>	<u>\$ 33,096,724</u>	<u>\$ 32,103,384</u>	<u>\$ 79,821,266</u>	<u>\$ 79,574,389</u>

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as trucks for snow plowing and police cruisers are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame.

With regards to the infrastructure, the City's service department maintains a comprehensive listing of all the streets, bridges, culverts, storm sewer, water lines and sewer lines in the City. As part of the City's annual road maintenance program, the City's Service Director, Street Superintendent, and Engineer evaluate the condition of each street after each winter and prioritize the streets in need of repair or replacement. After approval from Council, the projects are bid typically in late winter or early spring to get the best possible pricing from contractors. This program is paid for out of the general fund, the general capital improvement fund, or the street construction maintenance and repair fund of the City. Capital assets (before depreciation) for governmental activities increased mainly due to completion of construction in progress from ongoing projects. This was offset by an increase in accumulated depreciation of \$2,018,662, resulting in an overall decrease in net capital assets. Capital assets, net of depreciation for business-type activities increased by \$993,340, mainly due to this year's additions to infrastructure.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2024

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. The City has a five-year capital plan in place that provides for street improvements, storm sewers, water and sanitary sewer lines and addressing facility and equipment needs.

Debt

At December 31, 2024, the City of Chardon had \$11,390,243 in outstanding debt, of which \$2,926,000 was in refunding general obligation bonds. Table 6 summarizes the outstanding obligations of the City.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Refunding general obligation bonds	\$ 2,926,000	\$ 3,252,000	\$ -	\$ -	\$ 2,926,000	\$ 3,252,000
OPWC loans	3,301,085	3,406,999	-	-	3,301,085	3,406,999
OWDA loans	-	-	5,163,158	5,909,922	5,163,158	5,909,922
Total	<u>\$ 6,227,085</u>	<u>\$ 6,658,999</u>	<u>\$ 5,163,158</u>	<u>\$ 5,909,922</u>	<u>\$11,390,243</u>	<u>\$12,568,921</u>

At December 31, 2024, the City's overall legal debt margin was \$19,058,933, with an unvoted debt margin of \$8,590,029. The City's credit rating remained unchanged in 2024 as compared to 2023.

More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

Current Related Financial Activities

The City of Chardon is strong financially. The City of Chardon's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Chardon with full disclosure of the financial position of the City.

Contacting the City of Chardon's Finance Department

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 all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Mark Iacofano, City of Chardon, 111 Water Street, Chardon, Ohio 44024, telephone (440) 286-2602, email: miacofano@chardon.cc or web site at www.chardon.cc.

City of Chardon, Ohio

Statement of Net Position

December 31, 2024

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 15,697,535	\$ 2,270,877	\$ 17,968,412
Cash and cash equivalents in segregated accounts	884	-	884
Receivables:			
Income tax	2,848,710	-	2,848,710
Property and other taxes	1,764,169	-	1,764,169
Accounts	731,952	570,164	1,302,116
Accrued interest	43,658	-	43,658
Intergovernmental	722,616	-	722,616
Revenue in lieu of taxes	227,000	-	227,000
Materials and supplies inventory	319,027	505,365	824,392
Net OPEB asset	165,743	48,949	214,692
Nondepreciable capital assets	3,915,271	405,978	4,321,249
Depreciable capital assets	74,453,605	53,336,794	127,790,399
Accumulated depreciation	(31,644,334)	(20,646,048)	(52,290,382)
Total assets	69,245,836	36,492,079	105,737,915
<u>Deferred outflows of resources:</u>			
Pension	3,162,358	436,809	3,599,167
OPEB	397,448	42,464	439,912
Total deferred outflows of resources	3,559,806	479,273	4,039,079
<u>Liabilities:</u>			
Accounts payable	122,216	20,515	142,731
Accrued wages and benefits	211,118	44,962	256,080
Accrued pension	105,784	18,433	124,217
Undistributed monies	13,036	-	13,036
Deposits held and due to others	131,381	-	131,381
Income tax refunds payable	33,564	-	33,564
Accrued interest payable	3,462	-	3,462
Long-term liabilities:			
Due within one year	998,725	838,160	1,836,885
Due in more than one year:			
Net pension liability	8,946,530	1,433,488	10,380,018
Net OPEB liability	309,301	-	309,301
Other amounts due in more than one year	6,564,986	4,619,297	11,184,283
Total liabilities	17,440,103	6,974,855	24,414,958
<u>Deferred inflows of resources:</u>			
Property taxes	1,739,935	-	1,739,935
Payments in lieu of taxes	227,000	-	227,000
Pension	420,095	11,377	431,472
OPEB	403,897	28,069	431,966
Total deferred inflows of resources	2,790,927	39,446	2,830,373
<u>Net position:</u>			
Net investment in capital assets	40,497,457	27,933,566	68,431,023
Restricted for:			
Capital projects	2,503,886	-	2,503,886
Transportation	1,631,225	-	1,631,225
Security of persons and property	905,857	-	905,857
Other purposes	845,829	-	845,829
Unrestricted	6,190,358	2,023,485	8,213,843
Total net position	\$ 52,574,612	\$ 29,957,051	\$ 82,531,663

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Statement of Activities

For the Year Ended December 31, 2024

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 4,571,115	\$ 1,318,432	\$ 599,298	\$ -
Security of persons and property	4,402,129	756,243	23,631	-
Public health services	59,277	37,879	39,873	-
Transportation	3,228,338	110,840	1,226,535	285,760
Community environment	272,831	408,651	-	-
Leisure time activities	750,378	150,443	14,868	-
Intergovernmental	849,988	-	-	-
Interest and fiscal charges	45,792	-	-	-
Total governmental activities	14,179,848	2,782,488	1,904,205	285,760
<u>Business-Type Activities:</u>				
Water	1,335,415	1,796,993	-	365,732
Sewer	1,934,065	2,420,675	27,852	-
Total business-type activities	3,269,480	4,217,668	27,852	365,732
Total primary government	\$ 17,449,328	\$ 7,000,156	\$ 1,932,057	\$ 651,492

General revenues:

Property taxes levied for:

General purposes

Security of persons and property

Income tax levied for:

General purposes

Capital projects

Grants and entitlements not restricted to specific programs

Payments in lieu of taxes

Investment earnings

Other

Transfers

Total general revenues and transfers

Change in net assets

Net position, beginning of year, as previously reported

Restatement - change in accounting principle

Net position, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,653,385)	\$ -	\$ (2,653,385)
(3,622,255)	-	(3,622,255)
18,475	-	18,475
(1,605,203)	-	(1,605,203)
135,820	-	135,820
(585,067)	-	(585,067)
(849,988)	-	(849,988)
(45,792)	-	(45,792)
(9,207,395)	-	(9,207,395)
-	827,310	827,310
-	514,462	514,462
-	1,341,772	1,341,772
(9,207,395)	1,341,772	(7,865,623)
512,448	-	512,448
1,188,484	-	1,188,484
9,530,141	-	9,530,141
503,353	-	503,353
294,253	-	294,253
230,182	-	230,182
693,828	82,178	776,006
325,587	-	325,587
(166,669)	166,669	-
13,111,607	248,847	13,360,454
3,904,212	1,590,619	5,494,831
49,098,270	28,506,526	77,604,796
(427,870)	(140,094)	(567,964)
\$ 52,574,612	\$ 29,957,051	\$ 82,531,663

City of Chardon, Ohio

Balance Sheet

Governmental Funds

December 31, 2024

	General	Fire and Emergency Medical Service Levy	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 8,167,313	\$ 706,380	\$ 1,983,620	\$ 4,832,168	\$ 15,689,481
Cash and cash equivalents:					
In segregated accounts	884	-	-	-	884
Receivables:					
Income tax	2,706,274	-	85,462	56,974	2,848,710
Property and other taxes	504,193	1,029,656	-	230,320	1,764,169
Accounts	28,816	4,645	-	698,491	731,952
Accrued interest	43,658	-	-	-	43,658
Intergovernmental	113,508	37,724	-	571,384	722,616
Revenue in lieu of taxes	-	-	-	227,000	227,000
Materials and supplies inventory	164,082	-	-	154,945	319,027
Total assets	<u>\$ 11,728,728</u>	<u>\$ 1,778,405</u>	<u>\$ 2,069,082</u>	<u>\$ 6,771,282</u>	<u>\$ 22,347,497</u>
Liabilities, deferred inflows of resources and fund balances:					
<u>Liabilities:</u>					
Accounts payable	\$ 36,351	\$ 37,101	\$ 42,549	\$ 6,215	122,216
Accrued wages and benefits	180,964	-	-	30,154	211,118
Accrued pension	54,847	-	-	50,937	105,784
Undistributed monies	13,036	-	-	-	13,036
Deposits held and due to others	131,381	-	-	-	131,381
Income tax refunds payable	33,564	-	-	-	33,564
Total liabilities	<u>450,143</u>	<u>37,101</u>	<u>42,549</u>	<u>87,306</u>	<u>617,099</u>
<u>Deferred inflows of resources:</u>					
Property taxes	498,162	1,013,946	-	227,827	1,739,935
Payments in lieu of taxes	-	-	-	227,000	227,000
Unavailable revenue - delinquent property taxes	6,031	15,710	-	2,493	24,234
Unavailable revenue - other	1,271,448	37,724	37,882	933,195	2,280,249
Total deferred inflows of resources	<u>1,775,641</u>	<u>1,067,380</u>	<u>37,882</u>	<u>1,390,515</u>	<u>4,271,418</u>
<u>Fund balances:</u>					
Nonspendable	164,082	-	-	154,945	319,027
Restricted	-	673,924	-	4,658,297	5,332,221
Committed	-	-	1,988,651	479,985	2,468,636
Assigned	2,970,986	-	-	234	2,971,220
Unassigned	6,367,876	-	-	-	6,367,876
Total fund balances	<u>9,502,944</u>	<u>673,924</u>	<u>1,988,651</u>	<u>5,293,461</u>	<u>17,458,980</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,728,728</u>	<u>\$ 1,778,405</u>	<u>\$ 2,069,082</u>	<u>\$ 6,771,282</u>	<u>\$ 22,347,497</u>

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2024

Total governmental fund balances		\$ 17,458,980
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.		46,724,542
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		8,054
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred inflows of resources in the funds:		
Property and other taxes	\$ 24,234	
Income taxes	1,262,709	
Intergovernmental	528,524	
Charges for services	473,174	
Licenses and permits	15,842	
Total		2,304,483
The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds:		
Net OPEB asset	\$ 165,743	
Deferred outflows - pension	3,162,358	
Deferred inflows - pension	(420,095)	
Net pension liability	(8,946,530)	
Deferred outflows - OPEB	397,448	
Deferred inflows - OPEB	(403,897)	
Net OPEB liability	(309,301)	
Total		(6,354,274)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(3,462)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding general obligation bonds	\$ (2,926,000)	
OPWC loan	(3,301,085)	
Compensated absences	(1,336,626)	
Total		(7,563,711)
Net position of governmental activities		<u>\$ 52,574,612</u>

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2024

	General	Fire and Emergency Medical Service Levy	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income tax	\$ 9,141,861	\$ -	\$ 289,750	\$ 193,167	\$ 9,624,778
Property and other taxes	518,634	960,232	-	239,731	1,718,597
Charges for services	20,537	-	-	553,051	573,588
Licenses and permits	333,712	-	-	-	333,712
Fines and forfeitures	813,768	-	-	305,339	1,119,107
Intergovernmental	161,794	69,007	285,760	1,799,560	2,316,121
Special assessments	-	-	-	319,280	319,280
Investment income	693,828	-	-	16,245	710,073
Payments in lieu of taxes	-	-	-	230,182	230,182
Rentals	101,008	95,120	-	2,120	198,248
Other	327,013	23,630	23,933	49,137	423,713
Total revenue	12,112,155	1,147,989	599,443	3,707,812	17,567,399
Expenditures:					
Current:					
General government	3,249,713	-	36,423	746,395	4,032,531
Security of persons and property	2,057,359	1,184,068	-	791,215	4,032,642
Public health services	-	-	-	50,527	50,527
Transportation	1,410,901	-	15,510	527,335	1,953,746
Community environment	221,597	-	-	39,037	260,634
Leisure time activities	-	-	603	504,363	504,966
Capital outlay	-	-	976,098	817,385	1,793,483
Intergovernmental	-	-	-	849,988	849,988
Debt service:					
Principal retirement	60,515	-	-	523,515	584,030
Interest and fiscal charges	-	-	-	46,178	46,178
Total expenditures	7,000,085	1,184,068	1,028,634	4,895,938	14,108,725
Excess of revenues over (under) expenditures	5,112,070	(36,079)	(429,191)	(1,188,126)	3,458,674
Other financing sources (uses):					
Proceeds of OPWC loans	-	-	-	152,116	152,116
Transfers - in	376,515	86,849	1,575,000	1,272,854	3,311,218
Transfers - out	(2,934,703)	-	(21,900)	-	(2,956,603)
Total other financing sources (uses)	(2,558,188)	86,849	1,553,100	1,424,970	506,731
Net change in fund balance	2,553,882	50,770	1,123,909	236,844	3,965,405
Fund balances at beginning of year	6,949,062	623,154	864,742	5,056,617	13,493,575
Fund balances at end of year	\$ 9,502,944	\$ 673,924	\$ 1,988,651	\$ 5,293,461	\$ 17,458,980

See accompanying notes to the basic financial statements.

City of Chardon, 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 \$ 3,965,405

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital outlay	\$ 1,793,483	
Capital assets transferred out	(521,284)	
Depreciation expense	<u>(2,018,662)</u>	
Excess of capital outlay and transferred assets over depreciation expense		(746,463)

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

Property and other taxes	\$ (17,665)	
Income taxes	408,716	
Intergovernmental	60,231	
Charges for services	233,017	
Licenses and permits	457	
Other	<u>(1,426)</u>	
Net change in deferred inflows of resources during the year		683,330

Some items 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. These activities consist of:

Increase in compensated absences	\$ (165,915)	
Decrease in accrued interest	<u>386</u>	
Total additional expenditures		(165,529)

Contractually required contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows.

Pension	675,528
OPEB	6,725

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities.

Pension	(945,170)
OPEB	(1,528)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

584,030

The borrowing from loans results in other financing sources in the governmental funds, but these transactions are reflected in the statement of net position as long-term liabilities.

(152,116)

Change in net position of governmental activities

\$ 3,904,212

See accompanying notes to the basic financial statements.

City of Chardon, 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 Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 6,889,485	\$ 6,889,485	\$ 9,241,773	\$ 2,352,288
Property and other taxes	509,897	509,897	519,099	9,202
Charges for services	1,500	1,500	17,226	15,726
Licenses and permits	230,205	230,205	333,712	103,507
Fines and forfeitures	821,900	821,900	815,053	(6,847)
Intergovernmental	205,274	205,274	217,416	12,142
Special assessments	5,600	5,600	4,806	(794)
Investment income	225,000	225,000	586,202	361,202
Rent	86,000	86,000	102,333	16,333
Other	356,040	356,040	323,118	(32,922)
Total revenue	9,330,901	9,330,901	12,160,738	2,829,837
<u>Expenditures:</u>				
Current:				
General government	4,059,185	4,060,235	3,591,467	468,768
Security of persons and property	2,430,684	2,430,684	2,121,084	309,600
Transportation	1,716,984	1,769,134	1,488,534	280,600
Community environment	234,962	234,962	225,642	9,320
Total expenditures	8,441,815	8,495,015	7,426,727	1,068,288
Excess of revenues over expenditures	889,086	835,886	4,734,011	3,898,125
<u>Other financing sources (uses):</u>				
Transfers - in	320,580	320,580	320,578	(2)
Transfers - out	(2,994,283)	(2,994,283)	(2,939,281)	55,002
Total other financing sources (uses)	(2,673,703)	(2,673,703)	(2,618,703)	55,000
Net change in fund balance	(1,784,617)	(1,837,817)	2,115,308	3,953,125
Fund balance at beginning of year	2,871,592	2,871,592	2,871,592	-
Prior year encumbrances appropriated	372,311	372,311	372,311	-
Fund balance at end of year	\$ 1,459,286	\$ 1,406,086	\$ 5,359,211	\$ 3,953,125

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Statement of Revenues, Expenditures and Changes In Fund Balance - Budget (Non-GAAP Basis) and Actual Fire and Emergency Medical Service Levy Fund For the Year Ended December 31, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 942,940	\$ 942,940	\$ 960,232	\$ 17,292
Intergovernmental	71,715	71,715	69,007	(2,708)
Rent	108,000	108,000	95,120	(12,880)
Other	16,100	16,100	20,788	4,688
Total revenue	1,138,755	1,138,755	1,145,147	6,392
<u>Expenditures:</u>				
Current:				
Security of persons and property	1,288,480	1,288,480	1,233,912	54,568
Excess of revenues over expenditures	(149,725)	(149,725)	(88,765)	60,960
<u>Other financing sources (uses):</u>				
Transfers - in	-	-	86,849	86,849
Net change in fund balance	(149,725)	(149,725)	(1,916)	147,809
Fund balance at beginning of year	610,868	610,868	610,868	-
Prior year encumbrances appropriated	50,039	50,039	50,039	-
Fund balance at end of year	\$ 511,182	\$ 511,182	\$ 658,991	\$ 147,809

See accompanying notes to the basic financial statements.

City of Chardon, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service
	Water	Sewer	Total	
<u>Assets:</u>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 939,211	\$ 1,331,666	\$ 2,270,877	\$ 8,054
Accounts receivable	253,361	316,803	570,164	-
Materials and supplies inventory	464,303	41,062	505,365	-
Total current assets	1,656,875	1,689,531	3,346,406	8,054
Noncurrent assets:				
Net OPEB asset	20,610	28,339	48,949	
Capital assets:				
Nondepreciable capital assets	249,112	156,866	405,978	-
Depreciable capital assets	18,012,897	35,323,897	53,336,794	-
Accumulated depreciation	(5,543,467)	(15,102,581)	(20,646,048)	-
Total noncurrent assets	12,739,152	20,406,521	33,145,673	-
Total assets	14,396,027	22,096,052	36,492,079	8,054
<u>Deferred outflows of resources:</u>				
Pension	183,920	252,889	436,809	-
OPEB	17,880	24,584	42,464	-
Total deferred outflows of resources	201,800	277,473	479,273	-
<u>Liabilities:</u>				
Current liabilities:				
Accounts payable	3,800	16,715	20,515	-
Accrued wages and benefits	18,165	26,797	44,962	-
Accrued pension	7,439	10,994	18,433	-
Compensated absences payable	26,462	47,311	73,773	-
OWDA loans payable	366,032	398,355	764,387	-
Total current liabilities	421,898	500,172	922,070	-
Long-term liabilities:				
Compensated absences payable	91,313	129,213	220,526	-
OWDA loans payable, net of current portion	1,312,236	3,086,535	4,398,771	-
Net pension liability	603,574	829,914	1,433,488	-
Total long-term liabilities	2,007,123	4,045,662	6,052,785	-
Total liabilities	2,429,021	4,545,834	6,974,855	-
<u>Deferred inflows of resources:</u>				
Pension	4,790	6,587	11,377	-
OPEB	11,818	16,251	28,069	-
Total deferred inflows of resources	16,608	22,838	39,446	-
<u>Net position:</u>				
Net investment in capital assets	11,040,274	16,893,292	27,933,566	-
Unrestricted	1,111,924	911,561	2,023,485	8,054
Total net position	\$ 12,152,198	\$ 17,804,853	\$ 29,957,051	\$ 8,054

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service
	Water	Sewer	Total	
<u>Operating revenues:</u>				
Charges for services	\$ 1,750,947	\$ 2,392,304	\$ 4,143,251	\$ -
Reimbursements	46,046	23,797	69,843	-
Other	-	4,574	4,574	-
Total operating revenue	1,796,993	2,420,675	4,217,668	-
<u>Operating expenses:</u>				
Personal services	681,106	862,083	1,543,189	-
Supplies and materials	88,112	155,770	243,882	-
Travel and education	4,927	4,213	9,140	-
Contractual services	184,962	193,570	378,532	-
Utilities	75,226	143,555	218,781	-
Depreciation	263,860	484,759	748,619	-
Total operating expenses	1,298,193	1,843,950	3,142,143	-
Operating income	498,800	576,725	1,075,525	-
<u>Nonoperating revenues (expenses):</u>				
State subsidies	-	27,852	27,852	-
Interest	35,662	46,516	82,178	-
Interest and fiscal charges	(37,222)	(89,213)	(126,435)	-
Loss on disposal of capital assets	-	(902)	(902)	-
Total nonoperating revenues (expenses):	(1,560)	(15,747)	(17,307)	-
Income before transfers and contributions	497,240	560,978	1,058,218	-
Capital grants	365,732	-	365,732	-
Capital contributions from other funds	250,000	271,284	521,284	-
Transfers - in	-	21,900	21,900	-
Transfers - out	(27,094)	(349,421)	(376,515)	-
Total transfers and contributions	588,638	(56,237)	532,401	-
Change in net position	1,085,878	504,741	1,590,619	-
Net position at beginning of year	11,119,925	17,386,601	28,506,526	8,054
Restatement - change in accounting principle	(53,605)	(86,489)	(140,094)	-
Net position at end of year	\$ 12,152,198	\$ 17,804,853	\$ 29,957,051	\$ 8,054

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service
	Water	Sewer	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 1,773,321	\$ 2,394,967	\$ 4,168,288	\$ -
Cash payments for personal services	(659,332)	(832,729)	(1,492,061)	-
Cash payments for travel and entertainment	(4,936)	(4,223)	(9,159)	-
Cash payments for contractual services	(183,541)	(196,411)	(379,952)	-
Cash payments to suppliers for goods and services	(146,458)	(172,449)	(318,907)	-
Cash payments for utilities	(77,408)	(145,451)	(222,859)	-
Net cash provided by (used for) operating activities	701,646	1,043,704	1,745,350	-
Cash flows from noncapital financing activities:				
Transfers from other funds	-	21,900	21,900	-
Transfers to other funds	-	(316,000)	(316,000)	-
Net cash provided by (used for) noncapital financing activities	-	(294,100)	(294,100)	-
Cash flows from capital and related financing activities:				
State grants and subsidies	365,732	27,852	393,584	-
Interest paid on debt	(37,222)	(89,213)	(126,435)	-
Principal payment on loans	(386,017)	(421,262)	(807,279)	-
Acquisition of capital assets	(593,661)	(634,214)	(1,227,875)	-
Net cash provided by (used for) capital and related financing activities	(651,168)	(1,116,837)	(1,768,005)	-
Cash flows from investing activities:				
Investment income	35,662	46,516	82,178	-
Net cash provided by investing activities	35,662	46,516	82,178	-
Net increase in cash and cash equivalents	86,140	(320,717)	(234,577)	-
Cash and cash equivalents at beginning of year	853,071	1,652,383	2,505,454	8,054
Cash and cash equivalents at end of year	\$ 939,211	\$ 1,331,666	\$ 2,270,877	\$ 8,054

(Continued)

City of Chardon, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2024 (Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service
	Water	Sewer	Total	
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income	\$ 498,800	\$ 576,725	\$ 1,075,525	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	263,860	484,759	748,619	-
Change in assets and liabilities:				
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(23,672)	(25,708)	(49,380)	-
Materials and supplies inventory	(24,213)	(1,059)	(25,272)	-
Net OPEB asset	(20,610)	(28,339)	(48,949)	-
Deferred outflows of resources - pension	95,977	131,969	227,946	-
Deferred outflows of resources - OPEB	25,405	34,933	60,338	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	(34,903)	(20,367)	(55,270)	-
Accrued pension	(1,774)	(1,889)	(3,663)	-
Accrued wages and benefits	2,214	5,072	7,286	-
Compensated absences	13,935	15,994	29,929	-
Intergovernmental payable	(154)	(213)	(367)	-
Net pension liability	(86,047)	(118,314)	(204,361)	-
Net OPEB liability	(14,596)	(20,069)	(34,665)	-
Deferred inflows of resources - pension	482	663	1,145	-
Deferred inflows of resources - OPEB	6,942	9,547	16,489	-
Net cash provided by (used for) operating activities	<u>\$ 701,646</u>	<u>\$ 1,043,704</u>	<u>\$ 1,745,350</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Chardon, Ohio
Statement of Fiduciary Net Position
December 31, 2024

	Private Purpose Trust Cemetery	Custodial
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ -	\$ 887
Cash and cash equivalents in segregated accounts	17,477	106,161
Total assets	<u>\$ 17,477</u>	<u>\$ 107,048</u>
<u>Liabilities:</u>		
Intergovernmental payable	<u>\$ -</u>	<u>\$ 106,161</u>
<u>Net position:</u>		
Restricted for:		
Private purpose	17,477	-
Individuals, organizations and other governments	<u>-</u>	<u>887</u>
Total net position	<u>\$ 17,477</u>	<u>\$ 887</u>

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Statement of Changes in Fiduciary Net Position

For the Year Ending December 31, 2024

	Private Purpose Trust	Custodial
Additions:		
Interest	\$ 518	\$ -
Fines and forfeitures for other governments	-	954,598
Total additions	518	954,598
Deductions:		
Supplies and materials	198	-
Distributions to the State of Ohio	-	16,389
Distributions to other governments	-	938,456
	198	954,845
Change in net position	320	(247)
Net position at beginning of year	17,157	1,134
Net position at end of year	\$ 17,477	\$ 887

See accompanying notes to the basic financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Chardon 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 most significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Chardon 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 council-manager form of government, was adopted April 25, 1978. Effective April 29, 2002, the Village of Chardon became a city based on the 2000 Census.

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 Chardon, this includes police protection, parks and recreation, planning, zoning, street maintenance and repair, water and sewer utilities, municipal court and general administrative services. The City's departments include Police, Public Service, Manager, Finance, Legal, Planning and Zoning, Recreation and Municipal Court. Included within the Department of Public Service are the Division of Streets and Cemetery, Lands and Buildings and Water and Sewer. The City contracts with the Chardon Volunteer Fire Department, Inc. to provide fire service and ambulance services. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

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 organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Northeast Ohio Public Energy Council, Regional Income Tax Agency and the Valley Enforcement Regional Council of Governments which are defined as jointly governed organizations. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. These organization are discussed in Note 14 to the basic financial statements.

The Chardon Municipal Court

The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court along with its share of the Court's administrative and operating costs are recorded pursuant to State law in the City's general fund and certain special revenue funds. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as a custodial fund in the accompanying financial statements.

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

B. 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. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type 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 and for the business-type activities of the City. 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 not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity 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 and enterprise 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

C. 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. There are three categories of funds: governmental, proprietary and fiduciary.

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

Governmental Funds

Governmental funds are those through which most governmental functions typically 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 liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for 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 and/or the general laws of Ohio.

Fire and Emergency Medical Service Levy Fund - This fund is maintained for the accumulation of monies which are used to provide fire protection and emergency medical services.

General Capital Improvement Fund - This fund is used for the purpose of improving, constructing, maintaining and purchasing those items necessary to enhance the operation of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - The water fund accounts for the provision of water treatment and distribution to its residential and commercial users.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users.

Internal Service Fund - An internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private purpose trust which accounts for the perpetual care and maintenance of an individual family's burial plots in the City's cemetery through an endowment. The City's custodial funds account for law library fees and a portion of the municipal court activity that excludes the City's portion.

D. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all liabilities, deferred outflows of resources 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 current liabilities 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 proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. 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 are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use 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, the recording of deferred outflows/inflows and in the presentation of expenses versus expenditures.

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

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 sixty 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 period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, shared revenues 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension and OPEB are explained in Note 10.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenues. 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 year 2025 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the government wide statement of net position and the governmental funds balance sheet, and represents receivables/revenues which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Note 10)

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

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.

F. Equity in Pooled Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except for the cemetery private purpose trust fund and municipal court custodial fund, 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 interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury. The cash of the cemetery private purpose fund and municipal court custodial fund are included in this line item.

During 2024, investments were limited to certificates of deposits, money market mutual funds, U.S. Treasury securities, and government-sponsored enterprise securities. The government-sponsored enterprise (GSE) investments, which are not backed by the full faith and credit of the federal government, were held as investments at year-end by the City. The GSE investments held were issued from Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Tennessee Valley Authority (TVA).

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost.

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

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when used. Inventories of the proprietary funds are expensed when used.

Inventory consists of expendable supplies held for consumption.

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

H. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund Loan Receivables/Payables.” Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts, not services provided and used, are eliminated in the statement of net position.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City reports all land parcels and maintains a capitalization threshold of five thousand 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 expended.

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:

Asset <u>Class</u>	Estimated Useful <u>Life</u>
Buildings and improvements	50 years
Machinery and equipment	5 to 20 years
Vehicles	5 to 10 years
Infrastructure	20 to 100 years

The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines.

J. Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability or asset, 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.

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

The current accounting standard requires Cities to report their proportionate share of the net pension/OPEB liability or asset using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability or asset equals the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the City. However, the City is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension/OPEB liability. The City has no control over the changes in the benefits, contributions rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension/OPEB liability or asset is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

K. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences – compensatory time, vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation and compensatory time - The City records a liability for all accumulated unused vacation and compensatory time when earned for all employees.

Sick leave - The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, the employee receives compensation in accordance with the severance policy. A liability for estimated value of sick leave that will be used by employees as time off and at separation is included in the liability for compensated absences. The entire compensated absence liability is reported on the government-wide financial statements.

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

M. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless 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. 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. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. In addition, the Director of Finance is authorized to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment of capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Net position restricted for other purposes include cemetery operations, police and computer and special project programs. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. None of the restricted net position for the City was restricted by enabling legislation.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. 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.

S. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City. With authorization by the Finance Director or City Manager, line item budgets may be transferred within the appropriation accounts approved by Council. Council must approve any revisions in the budget that alter the total object level within each department. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

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

Tax Budget

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. The City revises its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission find the revised estimates to be reasonable. The amounts reported in the budgetary statements as original represent the amounts in the second amended official certificate of estimated resources issued during 2024. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2024.

Appropriations

A temporary appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. A permanent appropriation ordinance is legally enacted before March 31. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. During the year, several supplemental appropriation measures were necessary. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first permanent appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is reappropriated.

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

Budgeted Level of Expenditure

The primary level of budgetary control is at the object level within each department for all funds. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriations allocations may be made by the City Manager or Finance Director as long as the allocations are within Council's appropriated amount.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as assigned fund balances for subsequent-year expenditures of governmental funds.

NOTE 2 - 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 and disbursements.

The Statements of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Fire and Emergency Medical Service Levy is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- a. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- c. Encumbrances are treated as expenditures (budget) rather than assigned fund balance (GAAP).
- d. Advances in and advances out ("repayment of advances") are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- e. The change in fair value of investments is not included on the budget operating statement. This amount is included as revenue on the GAAP basis operating statement.

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

- f. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
- g. Cash held in the municipal court custodial fund that is to be disbursed to the general fund are not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
- h. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund and fire and emergency medical service levy fund.

	Net Change in Fund Balance	
	<u>General</u>	Fire and Emergency Medical Service <u>Levy</u>
GAAP basis	\$ 2,553,882	\$ 50,770
Revenue accruals	(7,354)	(2,842)
Expenditure accruals	(7,895)	(2,454)
Encumbrances (budget basis) outstanding at year end	<u>(423,325)</u>	<u>(47,390)</u>
Budget basis	<u>\$ 2,115,308</u>	<u>\$ (1,916)</u>

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

NOTE 3 – FUND BALANCE

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 below:

Fund Balances	General	Fire and Emergency Medical Service Levy	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>					
Materials and supplies inventory	\$ 164,082	\$ -	\$ -	\$ 154,945	\$ 319,027
<u>Restricted for</u>					
Streets and highways	-	-	-	1,075,347	1,075,347
Streets lighting	-	-	-	121,396	121,396
Sidewalks	-	-	-	302,473	302,473
Fire and EMS services	-	673,924	-	-	673,924
Capital improvements	-	-	-	2,453,644	2,453,644
Court activities	-	-	-	359,962	359,962
Shade tree	-	-	-	122,974	122,974
Police services	-	-	-	67,536	67,536
Opioid settlement	-	-	-	61,131	61,131
Cemetery	-	-	-	93,834	93,834
Total restricted	-	673,924	-	4,658,297	5,332,221
<u>Committed</u>					
Recreation	-	-	-	78,212	78,212
Fire and EMS services	-	-	-	392,126	392,126
Capital improvements	-	-	1,988,651	9,647	1,998,298
Total committed	-	-	1,988,651	479,985	2,468,636
<u>Assigned</u>					
Encumbrances	386,973	-	-	-	386,973
Next year's budget	2,584,013	-	-	-	2,584,013
Debt service	-	-	-	234	234
Total assigned	2,970,986	-	-	234	2,971,220
Unassigned	6,367,876	-	-	-	6,367,876
Total fund balances	\$ 9,502,944	\$ 673,924	\$ 1,988,651	\$ 5,293,461	\$ 17,458,980

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

Inactive deposits are monies 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, 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-sponsored enterprise, agency or instrumentality, including but not limited to, the Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), and Student Loan Marketing Association (SLMA). All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers' acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be one hundred two percent or lower if permitted by the Treasurer of State.

Undeposited Cash: At year-end, the City had \$950 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Deposits: At year-end, the amount of the City's depository bank balance was \$9,454,122. The City's deposits were not exposed to custodial credit risk as they were either insured or collateralized.

Investments: At year-end, the City held the following investments.

Investment Type	Fair Value	Investment Maturities (in Years)			Percentage of Investments
		Less than 1 year	1 - 2 years	More than 2 years	
Government Sponsored Enterprise Bonds:					
Federal Home Loan Mortgage Corporation	\$ 362,982	\$ 362,982	\$ -	\$ -	4.1%
Federal Home Loan Bank	713,904	367,818	-	346,086	8.0%
Federal Farm Credit Bank	2,621,073	856,597	473,633	1,290,843	29.6%
Tennessee Valley Authority	73,730	-	-	73,730	0.8%
Total Government Sponsored Enterprise Bonds	<u>3,771,689</u>	<u>1,587,397</u>	<u>473,633</u>	<u>1,710,659</u>	
Other investments:					
Various negotiable certificates of deposit:					
UBS Bank USA	240,912	240,912	-	-	2.7%
BMO Harris Bank	238,104	-	238,104	-	2.7%
Toyota Financial	174,634	-	-	174,634	2.0%
CIBC Bank USA	148,602	-	-	148,602	1.7%
Total negotiable certificates of deposit	<u>802,252</u>	<u>240,912</u>	<u>238,104</u>	<u>323,236</u>	
US Treasury - Notes	4,172,018	640,410	474,453	3,057,155	47.0%
US Treasury - Bond	122,915	122,915	-	-	1.4%
Total other investments	<u>5,097,185</u>	<u>1,004,237</u>	<u>712,557</u>	<u>3,380,391</u>	
Total investments	<u>\$ 8,868,874</u>	<u>\$ 2,591,634</u>	<u>\$ 1,186,190</u>	<u>\$ 5,091,050</u>	<u>100.0%</u>

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

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 tables identify the City's recurring fair value measurement as of December 31, 2024. All investments of the City are valued using Level 2 inputs.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest allocation is determined by the Ohio Constitution, state statutes, and local ordinances adopted under City Charter. Under these provisions, interest revenue is distributed to the general fund, certain special revenue funds, and the private purpose trust fund. Interest revenue credited to the general fund during 2024 amounted to \$693,828, which includes \$474,845 assigned from other funds.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring 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, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits certificates of deposit and security purchases to those that mature within five years unless authorized by Council.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed. The investments in commercial paper and securities with Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB) and Tennessee Valley Authority (TVA) are held by the counterparty's trust department or agent and not in the City's name. All of the City's negotiable certificates of deposit are registered securities.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The City's investments in FFCB, FHLMC, FNMA, FHLB and TVA bonds are registered and carry a rating AA+ by Standard & Poor's.

Concentration of Credit Risk is the possibility of loss attributed to the magnitude of the City's investment in a single issuer. FHLB and FFCB investments held by the City were 5% or more of investments from a single issuer. The City's investment policy requires diversification of the portfolio and indicates that investments shall be diversified to eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, a specific issuer, or a specific class of security. The policy includes certificates of deposit and money market accounts as investments even when they are not considered an investment for financial reporting purposes. The policy requires: a) the total par amount invested in a combination of commercial paper and banker's acceptances may not exceed 25% of the total invested funds at the time of purchase; and b) no more than 50% of the portfolio shall be invested in securities with maturities that exceed two years.

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

NOTE 5 – RECEIVABLES

Receivables at December 31, 2024, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments, and accounts (billings for ambulance service and utility service). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

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.

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 \$8.5 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2023 property tax receipts were based are as follows:

Property Category	Assessed Value	Percent
<u>Real Property</u>		
Residential and agricultural	\$ 136,681,330	65.28 %
Commercial and industrial	66,901,470	31.95
Public utilities	<u>5,795,290</u>	<u>2.77</u>
Total	<u>\$ 209,378,090</u>	<u>100.00 %</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Chardon. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2024, and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2024 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue.

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

Income Taxes

The City levies a 2% income tax on substantially all earned income within the City as well as on income of residents that is earned outside the City. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City's agent, Regional Income Tax Agency (RITA), either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax liability quarterly and file a final return annually.

In 2023, all income tax proceeds were allocated to the general fund, Chardon square capital improvement and general capital improvement reserve capital projects funds. On the GAAP basis of reporting the general operating reserve and payroll stabilization special revenue funds are included within the general fund; however, on the cash basis they are budgeted separately.

Intergovernmental Receivables

Certain intergovernmental receivables were reported at year-end:

<u>Governmental Activities</u>	<u>Amounts</u>
Local government and local government revenue assistance	\$ 46,380
Homestead and rollback	97,558
Gasoline and excise tax	371,239
Motor vehicle license fees	163,772
Permissive motor vehicle	1,174
State shared revenue and grants	<u>42,493</u>
Total	<u>\$ 722,616</u>

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

NOTE 6 - CAPITAL ASSETS

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

	Balance 12/31/2023	Increases	Decreases	Balance 12/31/2024
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,225,359	\$ -	\$ -	\$ 3,225,359
Land use rights	219,202	-	-	219,202
Construction in progress	1,666,037	1,295,308	(2,490,635)	470,710
Total capital assets, not being depreciated	5,110,598	1,295,308	(2,490,635)	3,915,271
Capital assets, being depreciated				
Land improvements	5,309,333	332,294	-	5,641,627
Buildings	15,231,105	39,919	-	15,271,024
Machinery and equipment	2,599,483	300,597	(6,977)	2,893,103
Vehicles	2,462,983	242,883	-	2,705,866
Infrastructure:				
Traffic lights	2,148,397	12,570	-	2,160,967
Storm sewers, bridges and culverts	15,904,048	129,558	-	16,033,606
Streets and sidewalks	28,337,707	1,409,705	-	29,747,412
Total capital assets, being depreciated	71,993,056	2,467,526	(6,977)	74,453,605
Less: accumulated depreciation				
Land improvements	(1,812,723)	(251,222)	-	(2,063,945)
Buildings	(5,576,654)	(312,421)	-	(5,889,075)
Machinery and equipment	(1,275,614)	(184,499)	6,977	(1,453,136)
Vehicles	(1,627,808)	(148,357)	-	(1,776,165)
Infrastructure:				
Traffic lights	(1,162,979)	(71,568)	-	(1,234,547)
Storm sewers, bridges and culverts	(4,963,215)	(174,054)	-	(5,137,269)
Streets and sidewalks	(13,213,656)	(876,541)	-	(14,090,197)
Total accumulated depreciation	(29,632,649)	(2,018,662)	6,977	(31,644,334)
Total capital assets, being depreciated, net	42,360,407	448,864	-	42,809,271
Governmental activities capital assets, net	\$ 47,471,005	\$ 1,744,172	\$ (2,490,635)	\$ 46,724,542

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

Depreciation expense was charged to governmental functions as follows:

General government	\$ 421,859
Security of persons and property	82,245
Public health services	9,119
Community environment	2,634
Leisure time activities	238,004
Transportation	<u>1,264,801</u>
Total depreciation expense	<u>\$ 2,018,662</u>

	Balance 12/31/2023	Increases	Decreases	Balance 12/31/2024
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 368,210	\$ -	\$ -	\$ 368,210
Land use rights	6,270	-	-	6,270
Construction in progress	<u>295,674</u>	<u>1,015,898</u>	<u>(1,280,074)</u>	<u>31,498</u>
Total capital assets, not being depreciated	<u>670,154</u>	<u>1,015,898</u>	<u>(1,280,074)</u>	<u>405,978</u>
Capital assets, being depreciated				
Land improvements	242,678	-	-	242,678
Buildings	21,008,060	208,429	(7,510)	21,208,979
Machinery and equipment	4,532,518	141,729	-	4,674,247
Vehicles	521,814	20,646	-	542,460
Infrastructure:				
Water lines	8,807,516	996,638	-	9,804,154
Sewer lines	<u>16,224,681</u>	<u>639,595</u>	<u>-</u>	<u>16,864,276</u>
Total capital assets, being depreciated	<u>51,337,267</u>	<u>2,007,037</u>	<u>(7,510)</u>	<u>53,336,794</u>
Less: accumulated depreciation				
Land improvements	(219,676)	(2,875)	-	(222,551)
Buildings	(9,286,877)	(401,100)	6,608	(9,681,369)
Machinery and equipment	(4,083,996)	(65,369)	-	(4,149,365)
Vehicles	(213,862)	(35,950)	-	(249,812)
Infrastructure:				
Water lines	(2,332,785)	(89,292)	-	(2,422,077)
Sewer lines	<u>(3,766,841)</u>	<u>(154,033)</u>	<u>-</u>	<u>(3,920,874)</u>
Total accumulated depreciation	<u>(19,904,037)</u>	<u>(748,619)</u>	<u>6,608</u>	<u>(20,646,048)</u>
Total capital assets, being depreciated, net	<u>31,433,230</u>	<u>1,258,418</u>	<u>(902)</u>	<u>32,690,746</u>
Business-type activities capital assets, net	<u>\$ 32,103,384</u>	<u>\$ 2,274,316</u>	<u>\$ (1,280,976)</u>	<u>\$ 33,096,724</u>

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

Depreciation expense was charged to business-type activities as follows:

Water	\$ 263,860
Sewer	<u>484,759</u>
Total depreciation expense	<u>\$ 748,619</u>

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risk of loss related to torts, theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private insurance carriers for real property, building contents, vehicle and general liability insurance, and police professional liability insurance. There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

The City continues to carry health insurance through a private carrier. The activity was reported in an internal service fund. There was no current year activity in this fund. Balances remaining are from a prior year.

NOTE 8 - COMPENSATED ABSENCES

Accumulated Unpaid Vacation: City employees earn vacation leave at varying rates based upon length of service. Employees are encouraged to use their vacation leave within one year from their anniversary date, but are entitled to carryover eighty hours into the next year. City employees are paid for earned, unused vacation leave at the time of the termination of their employment.

Accumulated Unpaid Sick Leave: Full-time employees earn 10 hours of sick leave a month. Part-time employees do not earn sick leave, but are entitled to all of the hours earned from their start date if they do become full-time employees. Employees hired prior to July 21, 1983 with over 10 years of service and eligible to retire are entitled to 1/3 of their accumulated unused sick hours up to 960 hours. Employees hired subsequent to July 21, 1983 with over 10 years of service and eligible to retire are entitled to 1/3 of their accumulated unused sick hours up to 600 hours. Individuals leaving the employment of the City prior to meeting these eligibility requirements lose their accumulated sick leave.

Accumulated Unpaid Compensatory Time: From time to time, employees may need, with prior approval from their supervisors, to work overtime. These overtime hours will usually be paid at the appropriate overtime rate; however, with permission of the supervisor, an employee may have the option of taking the overtime in compensatory time at one and one half times the amount of hours worked.

Compensated absences will be paid from the general fund, water and sewer enterprise funds.

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

NOTE 9 - LONG-TERM DEBT

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

	Restated Balance <u>12/31/23</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/24</u>	Due in One <u>Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2020 Refunding municipal service facilities, 1.42, maturing 2032	\$ 3,252,000	\$ -	\$ (326,000)	\$ 2,926,000	\$ 334,000
<u>Other long-term obligations:</u>					
Ohio Public Works Commission 0%, direct borrowing:					
Fifth Avenue improvement project	105,269	-	(23,392)	81,877	23,394
North Street improvement project	80,597	-	(17,911)	62,686	17,910
Downing Drive improvement project	119,818	-	(13,313)	106,505	13,313
Repair Court Street, Karen Drive and Lost Pond Parkway	296,985	-	(29,700)	267,285	29,698
Multi road improvements	247,388	-	(18,325)	229,063	18,325
Maple Avenue improvement project	817,437	-	(58,388)	759,049	58,389
Claridon and E. King project	576,167	-	(36,011)	540,156	36,010
South Hambden Street project	277,772	-	(16,835)	260,937	16,835
Chardon Avenue and Canfield Drive Improvements	758,982	-	(37,188)	721,794	37,015
Seventh Avenue improvements	<u>126,584</u>	<u>152,116</u>	<u>(6,967)</u>	<u>271,733</u>	<u>13,935</u>
	-	-	-	-	-
Total Ohio Public Works Commission	<u>3,406,999</u>	<u>152,116</u>	<u>(258,030)</u>	<u>3,301,085</u>	<u>264,824</u>
Net pension liability:					
OPERS	5,545,699	-	(691,962)	4,853,737	-
OP&F	3,672,905	419,888	-	4,092,793	-
Net OPEB liability (asset):					
OPERS	117,372	-	(117,372)	-	-
OP&F	275,291	34,010	-	309,301	-
Compensated absences *	<u>1,170,711</u>	<u>165,915</u>	<u>-</u>	<u>1,336,626</u>	<u>399,901</u>
Total other long-term obligations	<u>14,188,977</u>	<u>771,929</u>	<u>(1,067,364)</u>	<u>13,893,542</u>	<u>664,725</u>
Total governmental long-term liabilities	<u>\$ 17,440,977</u>	<u>\$ 771,929</u>	<u>\$ (1,393,364)</u>	<u>\$ 16,819,542</u>	<u>\$ 998,725</u>

* Changes in compensated absences is presented as a net change.

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

	Balance <u>12/31/23</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/24</u>	Due in One <u>Year</u>
Business-type activities:					
<u>Ohio Water Development Authority loans:</u>					
0.0% Wilson Mills Road					
Sanitary Sewer - 2009	\$ 24,867	\$ -	\$ (7,105)	\$ 17,762	\$ 7,105
2.0% Water treatment plant					
improvements - 2007	1,533,875	-	(329,090)	1,204,785	335,705
3.25% Eastside sanitary trunk sewer					
improvements - 2006	580,188	-	(187,196)	392,992	193,329
2.78% SW Sanitary sewer trunk					
Meadowlands Drive - 2014	472,037	-	(33,642)	438,395	34,583
2.14% Railroad Trunk Sewer	2,795,639	-	(159,898)	2,635,741	163,338
1.65% East King Street Water Main	<u>503,316</u>	<u>-</u>	<u>(29,833)</u>	<u>473,483</u>	<u>30,327</u>
Total Ohio Water Development					
Authority loans - direct borrowing	<u>5,909,922</u>	<u>-</u>	<u>(746,764)</u>	<u>5,163,158</u>	<u>764,387</u>
<u>Other long-term obligations:</u>					
Net pension liability:					
Water fund - OPERS	689,621	-	(86,047)	603,574	-
Sewer fund - OPERS	948,228	-	(118,314)	829,914	-
Net OPEB liability (asset):					
Water fund - OPERS	14,596	-	(14,596)	-	-
Sewer fund - OPERS	20,069	-	(20,069)	-	-
Compensated absences *	<u>264,370</u>	<u>29,929</u>	<u>-</u>	<u>294,299</u>	<u>73,773</u>
Total other long-term obligations	<u>1,936,884</u>	<u>29,929</u>	<u>(239,026)</u>	<u>1,727,787</u>	<u>73,773</u>
Total business-type long-term obligations	<u>\$ 7,846,806</u>	<u>\$ 29,929</u>	<u>\$ (985,790)</u>	<u>\$ 6,890,945</u>	<u>\$ 838,160</u>

* Changes in compensated absences is presented as a net change.

The OPWC 2006 Fifth Avenue improvement loan relates to construction on City streets. The loan will be repaid in annual installments of approximately \$23,394, maturing in 2027. Principal is paid out of the street construction, maintenance and repair fund.

The OPWC 2005 North Street improvement loan relates to construction on City streets. The loan will be repaid in annual installments of \$17,910, maturing in 2027. Principal is paid out of the street construction, maintenance and repair fund.

The OPWC 2011 Downing Drive improvement loan relates to construction on City streets, water lines, storm and sanitary sewers. The loan will be repaid in annual installments of approximately \$13,313, maturing in 2032. Principal is paid out of the street construction, maintenance and repair fund and a portion was paid by the general fund from transfers from the water and sewer funds.

The OPWC 2012 Repair Court Street, Karen Drive and Lost Pond Parkway loan relates to repairs on City streets. The loan will be repaid in annual installments of approximately \$29,698, maturing in 2033. Principal

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

is paid out of the street construction, maintenance and repair fund.

The OPWC 2015 Multi road improvements loan relates to repairs on City streets. This loan will be repaid in annual installments of approximately \$18,325, maturing in 2036. Principal is paid out of the street construction, maintenance and repair fund.

The OPWC 2016 Maple Avenue Improvement loan is related to street repairs, storm sewer, water line and sanitary sewer improvements. This loan will be repaid in annual installments of approximately \$58,389, maturing in 2037. Principal is paid out of the street construction, maintenance and repair fund and a portion was paid by the general fund from transfers from the water and sewer funds.

The OPWC 2018 Claridon and East King Project loan relates to repairs to City streets. This loan will be repaid in annual installments of approximately \$36,010, maturing in 2039. Principal is paid out of the street construction, maintenance and repair fund.

The OPWC 2019 South Hambden Street improvement relates to repairs on City streets. This loan will be repaid in annual installments of approximately \$16,835, maturing in 2040. Principal is paid out of the street construction, maintenance and repair fund and a portion was paid by the general fund from a transfer from the sewer fund.

The OPWC 2021 Chardon Avenue and Canfield Drive Improvements began in 2021, and continued during 2022. The loan will be repaid over twenty years with no interest.

The OPWC 2023 Seventh Avenue repair, widening and extension project finished at the end of 2024. The first principal payment was made in 2024.

The 2006 OWDA loan is for the Eastside sanitary trunk sewer improvements, maturing in 2026. During the year a principal payment in the amount of \$187,196 was made on the loan. Principal and interest is paid out of the sewer fund.

The 2007 OWDA loan is for the water treatment plant, maturing in 2028. During the year a principal payment in the amount of \$329,090 was made on the loan. Principal and interest is paid out of the water fund.

The 2009 OWDA loan is for the Wilson Mills sanitary sewer line project, maturing in 2027. During the year a principal payment in the amount of \$7,105 was made on the loan. Principal is paid out of the sewer fund.

The 2014 OWDA loan is for the Meadowland Drive SW sanitary trunk sewer improvements, maturing in 2035. During the year a principal payment of \$33,642 was paid from the sewer fund.

The 2017 OWDA loan is for the Railroad Trunk sanitary trunk sewer improvements, maturing in 2038. During the year a principal payment of \$159,898 was paid from the sewer fund.

The 2018 OWDA loan is for the East King Street Water Main improvements, maturing in 2038. During the year a principal payment of \$29,833 was paid from the water fund.

The City has agreed to set utility rates and fees sufficient to cover OWDA debt service requirements. Current operations are expected to provide cash flows for the repayment of this loan. Until a loan is fully disbursed or closed with the OWDA Chief Engineer, a final amortization is not available for the loan.

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

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2024, are as follows:

<u>Year</u>	<u>Governmental Activities</u>				
	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>	<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 334,000	\$ 41,549	\$ 264,824	\$ 598,824	\$ 41,549
2026	342,000	36,806	264,824	606,824	36,806
2027	354,000	31,950	264,824	618,824	31,950
2028	361,000	26,923	244,172	605,172	26,923
2029	367,000	21,797	223,520	590,520	21,797
2030-2034	1,168,000	33,469	1,061,276	2,229,276	33,469
2035-2039	-	-	739,953	739,953	-
2040-2044	-	-	237,692	237,692	-
	<u>\$ 2,926,000</u>	<u>\$ 192,494</u>	<u>\$ 3,301,085</u>	<u>\$ 6,227,085</u>	<u>\$ 192,494</u>

<u>Year</u>	<u>Business-Type Activities</u>	
	<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 764,387	\$ 108,812
2026	782,454	90,745
2027	591,218	73,886
2028	420,831	61,655
2029	248,864	54,557
2030-2034	1,328,456	188,651
2035-2038	1,026,948	47,141
	<u>\$ 5,163,158</u>	<u>\$ 625,447</u>

NOTE 10 - DEFINED BENEFIT PENSION AND OPEB PLANS

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

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

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

A. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. In October 2023, the legislature approved House Bill (HB) 33 which allows for the consolidation of the combined plan with the traditional plan with the timing of the consolidation at the discretion of OPERS. As of December 31, 2023, the consolidation has not been executed. (The latest information available.) Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public plan. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. 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 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 plan as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information):

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
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	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	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

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.

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 3.00%. For those retiring on or after January 7, 2013, beginning in calenda adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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

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	<u>State and Local</u>
2024 Statutory maximum contribution rates	
Employer	14.00%
Employee	10.00%
2024 Actual contribution rates	
Employer:	
Pension	14.00%
Post-employment health care benefits	<u>0.00%</u>
Total employer	<u>14.00%</u>
Employee	<u>10.00%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$544,038 for 2024. Of this amount, \$71,562 is reported as accrued pension.

Ohio Police and Fire Pension Fund

Plan Description - City full-time police and firefighters participate in the 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.

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

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

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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, statutory survivors and annuity beneficiaries. 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 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	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$255,531 for 2024. Of this amount, \$51,303 is reported as accrued pension.

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

The net pension liability for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability 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 was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.0243180%	0.0386661%	
Proportion of the net pension liability - current measurement date	<u>0.0240150%</u>	<u>0.0423624%</u>	
Change in proportionate share	<u>-0.0003030%</u>	<u>0.0036963%</u>	
Proportionate share of the net pension liability	\$ 6,287,225	\$ 4,092,793	\$ 10,380,018
Pension expense	\$ 652,501	\$ 441,440	\$ 1,093,941

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 102,759	\$ 131,391	\$ 234,150
Net difference between projected and actual earnings on pension plan investments	1,269,030	463,799	1,732,829
Changes of assumptions	-	258,660	258,660
Changes in proportion and differences between City contributions and proportionate share of contributions	-	573,959	573,959
City contributions subsequent to the measurement date	<u>544,038</u>	<u>255,531</u>	<u>799,569</u>
Total deferred outflows of resources	<u>\$ 1,915,827</u>	<u>\$ 1,683,340</u>	<u>\$ 3,599,167</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 45,773	\$ 45,773
Changes of assumptions	-	62,154	62,154
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>49,901</u>	<u>273,644</u>	<u>323,545</u>
Total deferred inflows of resources	<u>\$ 49,901</u>	<u>\$ 381,571</u>	<u>\$ 431,472</u>

\$799,569 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 in the year ending December 31, 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:

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	OPERS	OP&F	Total
Year ending December 31:			
2025	\$ 277,954	\$ 223,733	\$ 501,687
2026	414,816	248,015	662,831
2027	809,824	403,867	1,213,691
2028	(180,706)	104,046	(76,660)
2029	-	66,577	66,577
Total	<u>\$ 1,321,888</u>	<u>\$ 1,046,238</u>	<u>\$ 2,368,126</u>

Actuarial Assumptions - OPERS

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

Projections of 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 actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study re red as of December 31, 2023, compared to the December 31, 2022 actuarial valuation, are presented below.

Wage inflation	2.75 percent
Future salary increases, including inflation -Traditional plan	2.75 percent to 10.75 percent
COLA or Ad Hoc COLA:	
Current Year	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 3 percent, simple through 2024, then 2.05 percent, simple
Prior Year	Post January 7, 2013 retirees, 3 percent, simple through 2023, then 2.05 percent, simple
Investment rate of return	6.9 percent
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% 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.

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
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%. 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments 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 to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9%) or one-percentage-point higher (7.9%) than the current rate:

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	1% Decrease (5.90%)	Current discount rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$ 9,897,782	\$ 6,287,225	\$ 3,284,291

Actuarial Assumptions – OP&F

OP&F's total pension 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 pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. 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 calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2023, are presented below:

Valuation date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.50 percent
Projected salary increases	3.75 percent to 10.50 percent
Payroll increases	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent, plus productivity increase rate of 0.50 percent
Cost of living adjustments	2.20 percent simple

Healthy Mortality

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% for males and 98.7% for females. All rates are projected using the MP- 2021 Improvement Scale.

Disabled Mortality

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

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Contingent Annuitant Mortality

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% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

Pre-Retirement Mortality

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.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return**</u>
Cash and cash equivalents	0.00%	0.00%
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	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%
Real estate	12.00%	5.40%
Commodities	<u>2.00%</u>	3.50%
Total	<u>125.00%</u>	

Note: Assumptions are geometric

* Levered 2x.

**Geometric mean, net of expected inflation.

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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 above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in core fixed income and U.S. inflation linked bonds and the implementation approach for gold.

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

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 5,421,209	\$ 4,092,793	\$ 2,988,085

B. DEFINED BENEFIT OPEB PLANS

Ohio Public Employees Retirement System

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.

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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;

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

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

Group A 30 years of qualified health care service credit;

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;

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:	Age and service requirements:	Age and service requirements:
December 1, 2014 or prior	December 1, 2014 or prior	December 1, 2014 or prior
Any age with 10 years of service credit	Any age with 10 years of service credit	Any age with 10 years of service credit
January 1, 2015 through December 31, 2021	January 1, 2015 through December 31, 2021	January 1, 2015 through December 31, 2021
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 or

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

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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 51.00% and 90.00% 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 50.00% 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.

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 10.00% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, will vest in the RMA over 15 years at a rate of 10.00% each year starting with the next sixth year of participation. Members who elect the Member-Directed Plan prior to July 1, 201, vest in the RMA over a five-year period at a rate of 20.00% 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 14.00% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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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 2.00% 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 4.00% 22, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2024.

Ohio Police and Firemen's Disability and Pension Fund

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 healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 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 City's contractually required contribution to OP&F was \$6,725 for 2024. Of this amount, \$1,350 is reported as accrued pension.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 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, 2022, 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 contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability or asset - prior measurement date	0.0241130%	0.0386661%	
Proportion of the net OPEB liability or asset - current measurement date	<u>0.0237880%</u>	<u>0.0423624%</u>	
Change in proportionate share	<u>-0.0003250%</u>	<u>0.0036963%</u>	
Proportionate share of the net OPEB liability (asset)	\$ (214,692)	\$ 309,301	\$ 94,609
OPEB expense	\$ (29,770)	\$ 24,511	\$ (5,259)

City of Chardon, Ohio
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For the Year Ended December 31, 2024

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 14,873	\$ 14,873
Net difference between projected and actual earnings on OPEB plan investments	128,935	22,840	151,775
Changes of assumptions	55,273	106,433	161,706
Changes in proportionate share and differences between City contributions and proportionate share of contributions	2,037	102,796	104,833
City contributions subsequent to the measurement date	-	6,725	6,725
Total deferred outflows of resources	<u>\$ 186,245</u>	<u>\$ 253,667</u>	<u>\$ 439,912</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 30,557	\$ 56,841	\$ 87,398
Changes of assumptions	92,290	199,183	291,473
Changes in proportionate share and differences between City contributions and proportionate share of contributions	262	52,833	53,095
Total deferred inflows of resources	<u>\$ 123,109</u>	<u>\$ 308,857</u>	<u>\$ 431,966</u>

\$6,725 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year ending December 31:			
2025	\$ (4,401)	\$ 8,291	\$ 3,890
2026	10,709	(8,649)	2,060
2027	100,364	(4,144)	96,220
2028	(43,536)	(22,734)	(66,270)
2029	-	(21,073)	(21,073)
Thereafter	-	(13,606)	(13,606)
Total	<u>\$ 63,136</u>	<u>\$ (61,915)</u>	<u>\$ 1,221</u>

Actuarial Assumptions – OPERS

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

City of Chardon, Ohio
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For the Year Ended December 31, 2024

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to the measurement date of December 31, 2023. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5 - year period ended December 31, 2020
Wage inflation	2.75 percent
Projected salary increases	2.75 to 10.75 percent (includes wage inflation)
Single discount rate:	
Current measurement date	5.70 percent
Prior measurement date	5.22 percent
Investment rate of return	6.00 percent
Municipal bond rate	3.77 percent
Health care cost trend rate	5.50 percent, initial 3.50 percent, ultimate in 2038
Actuarial cost method	Individual entry age normal

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% 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.

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

City of Chardon, Ohio
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For the Year Ended December 31, 2024

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. The System's 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
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	<u>5.00%</u>	2.43%
Total	<u>100.00%</u>	

Discount Rate - A single discount rate of 5.70% 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%. 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% and a municipal bond rate of 3.77%. 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.

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:

City of Chardon, Ohio
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	1% Decrease (4.70%)	Current discount rate (5.70%)	1% Increase (6.70%)
Proportionate share of the net OPEB liability/(asset)	\$ 117,988	\$ (214,692)	\$ (490,271)

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

	1% Decrease	Current health care cost trend rate assumption	1% Increase
Proportionate share of the net OPEB asset	(\$223,607)	(\$214,692)	(\$204,577)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 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 that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

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

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

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

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

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

Valuation date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
Actuarial cost method	Entry age normal
Investment rate of return	
Current measurement date	7.50 percent
Prior measurement date	7.50 percent
Projected salary increases	
Current measurement date	3.50 percent to 10.50 percent
Prior measurement date	3.75 percent to 10.50 percent
Payroll growth	3.25 percent
Single discount rate:	
Current measurement date	4.07 percent
Prior measurement date	4.27 percent
Cost of living adjustments	2.20 percent simple

Health Mortality

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% for males and 98.7% for females. All rates are projected using the MP- 2021 Improvement Scale.

Disabled Mortality

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

Contingent Annuitant Mortality

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% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

Pre-Retirement Mortality

Mortality for active members is based on the Pub-2010 Below-Media 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 14 A.

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

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 contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, for 2023, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before principal 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.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 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.

	1% Decrease (3.07%)	Current discount rate (4.07%)	1% Increase (5.07%)
City's proportionate share of the net OPEB liability	\$ 380,973	\$ 309,301	\$ 248,939

NOTE 11 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2024, the audits of these programs have not been completed. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

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

NOTE 12 - INTERFUND TRANSFERS

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

Transfer to	Transfer from				
	General	General Improvement	Water	Sewer	Total
General	\$ -	\$ -	\$ 27,094	\$ 349,421	\$ 376,515
Fire and emergency medical service levy	86,849	-	-	-	86,849
General capital improvements	1,575,000	-	-	-	1,575,000
Nonmajor governmental funds	1,272,854	-	-	-	1,272,854
Enterprise fund:					
Sewer fund	-	21,900	-	-	21,900
Total transfers	<u>\$ 2,934,703</u>	<u>\$ 21,900</u>	<u>\$ 27,094</u>	<u>\$ 349,421</u>	<u>\$ 3,333,118</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

In addition to the cash transfers, capital assets resulting from completed construction in progress were transferred from governmental activities to the water and sewer funds.

NOTE 13 – 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. The more significant encumbrances are related to two capital project funds, one is a major fund and the other is nonmajor. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	<u>Encumbrances</u>
General fund:	
General government	\$ 273,244
Security of persons and property	62,992
Community and economic development	3,616
Transportation	47,121
Total general fund	<u>\$ 386,973</u>
General capital improvement fund	339,135
Nonmajor governmental funds	<u>1,188,341</u>
Total encumbrances	<u>\$ 1,914,449</u>

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

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. NOPEC is currently comprised of over 240 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity 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 to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county 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. 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 contribute to NOPEC during 2024. Financial information can be obtained by contacting Chuck Keiper, Executive Director, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

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 the collection of 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. For 2024, the City paid RITA \$139,810 for income tax collection services.

Valley Enforcement Regional Council of Governments

The City is a member of Valley Enforcement Regional Council of Governments (VERCOG), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group ("VEG"), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment.

VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The City contributed \$11,000 to VERCOG in 2024. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

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

NOTE 15 – TAX ABATEMENTS

In 1984, Chardon City Council approved the creation of a Community Reinvestment Area (CRA) pursuant to Ohio Revised Code Chapter 5709. The CRA’s main purpose is to encourage development and revitalization in the defined area of the community. The CRA program’s main mechanism is the use of tax incentives granted to property owners for real property improvements to their buildings. The real property improvements include building and structural modifications, such as an addition, new façade and major structural repairs. Property improvements that result in an increase of property valuation may be eligible for abatement of the additional property tax. The amount of the abatement is deducted from the recipient’s property tax bill.

During 2024, the City abated property taxes was estimated at \$79,356 within the Community Reinvestment Area with 3 entities.

Pursuant to Section 5709.82 of the Ohio Revised Code, the City is required to share 50 percent of municipal income tax withholdings paid by the employer in the CRA with the Chardon Local School District (the School District) when their gross payroll exceeds \$1 million. The major employer’s payroll exceeded this threshold during the applicable period and as a result, the City paid \$36,184, in 2024, to the School District.

NOTE 16 – RESTATEMENT OF NET POSITION

During 2024, there was a change in accounting principle related to the implementation of GASB Statement No. 101, “Compensated Absences”. As a result of implementing the new standard, a restatement of the prior year’s compensated absences balance was necessary.

	12/31/2023 As Previously Reported	Change in Accounting Principle	12/31/2023 As Restated
Net position:			
Governmental activities	\$ 49,098,270	\$ (427,870)	\$ 48,670,400
Business-type activities	28,506,526	(140,094)	28,366,432
Total net position	<u>\$ 77,604,796</u>	<u>\$ (567,964)</u>	<u>\$ 77,036,832</u>
Proprietary fund:			
Water	\$ 11,119,925	\$ (53,605)	\$ 11,066,320
Sewer	17,386,601	(86,489)	17,300,112
Total proprietary funds	<u>\$ 28,506,526</u>	<u>\$ (140,094)</u>	<u>\$ 28,366,432</u>

Required Supplementary Information

City of Chardon, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Ten Years

	2024	2023	2022	2021
Ohio Public Employees Retirement System - Traditional Plan				
City's proportion of the net pension liability	0.024015%	0.024318%	0.024743%	0.024739%
City's proportionate share of the net pension liability	\$ 6,287,225	\$ 7,183,548	\$ 2,152,741	\$ 3,663,307
City's covered payroll	\$ 3,952,950	\$ 3,769,579	\$ 3,591,029	\$ 3,484,357
City's proportionate share of the net pension liability as a percentage of its covered payroll	159.05%	190.57%	59.95%	105.14%
Plan fiduciary net position as a percentage of total pension liability	79.01%	75.74%	92.62%	86.88%

	2024	2023	2022	2021
Ohio Police and Fire Pension Fund				
City's proportion of the net pension liability	0.042362%	0.038666%	0.031198%	0.038629%
City's proportionate share of the net pension liability	\$ 4,092,793	\$ 3,672,905	\$ 1,949,064	\$ 2,633,394
City's covered payroll	\$ 1,290,821	\$ 1,142,568	\$ 883,795	\$ 1,059,089
City's proportionate share of the net pension liability as a percentage of its covered payroll	317.07%	321.46%	220.53%	248.65%
Plan fiduciary net position as a percentage of total pension liability	63.63%	62.90%	75.03%	70.65%

See notes to required supplementary information.

(1) Information presented are as of the City's measurement date which is the prior year end.

(2) Restated during 2015.

2020	2019	2018	2017	2016	2015
0.025110%	0.026162%	0.025633%	0.025096%	0.024608%	0.025643%
\$ 4,963,162	\$ 7,165,241	\$ 4,021,321	\$ 5,698,875	\$ 4,262,416	\$ 3,092,832
\$ 3,532,964	\$ 3,556,464	\$ 3,396,492	\$ 3,011,558	\$ 2,685,283	\$ 2,666,075
140.48%	201.47%	118.40%	189.23%	158.73%	116.01%
84.17%	74.70%	84.66%	77.25%	81.08%	86.45%

2020	2019	2018	2017	2016	2015
0.040255%	0.039229%	0.037125%	0.038622%	0.037690%	0.040698%
\$ 2,711,805	\$ 3,202,123	\$ 2,278,517	\$ 2,446,259	\$ 2,424,641	\$ 2,108,305
\$ 1,089,595	\$ 990,411	\$ 897,611	\$ 902,832	\$ 883,500	\$ 806,557
248.88%	323.31%	253.84%	270.95%	274.44%	261.40%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71% (2)

City of Chardon, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Ohio Public Employees Retirement System - Traditional Plan					
Contractually required contribution	\$ 578,723	\$ 553,413	\$ 527,741	\$ 502,744	\$ 487,810
Contributions in relation to contractually required contribution	<u>(578,723)</u>	<u>(553,413)</u>	<u>(527,741)</u>	<u>(502,744)</u>	<u>(487,810)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 4,133,736	\$ 3,952,950	\$ 3,769,579	\$ 3,591,029	\$ 3,484,357
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Ohio Police and Fire Pension Fund					
Contractually required contribution	\$ 255,531	\$ 245,256	\$ 217,088	\$ 167,921	\$ 201,227
Contributions in relation to contractually required contribution	<u>(255,531)</u>	<u>(245,256)</u>	<u>(217,088)</u>	<u>(167,921)</u>	<u>(201,227)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,344,900	\$ 1,290,821	\$ 1,142,568	\$ 883,795	\$ 1,059,089
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	19.00%

See notes to required supplementary information.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 494,615	\$ 497,905	\$ 441,544	\$ 361,387	\$ 322,234
<u>(494,615)</u>	<u>(497,905)</u>	<u>(441,544)</u>	<u>(361,387)</u>	<u>(322,234)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,532,964	\$ 3,556,464	\$ 3,396,492	\$ 3,011,558	\$ 2,685,283
14.00%	14.00%	13.00%	12.00%	12.00%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 207,023	\$ 188,178	\$ 170,546	\$ 171,538	\$ 167,865
<u>(207,023)</u>	<u>(188,178)</u>	<u>(170,546)</u>	<u>(171,538)</u>	<u>(167,865)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,089,595	\$ 990,411	\$ 897,611	\$ 902,832	\$ 883,500
19.00%	19.00%	19.00%	19.00%	19.00%

City of Chardon, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability or Asset
Last Eight Years (1)

	2024	2023	2022	2021
Ohio Public Employees Retirement System - Traditional Plan				
City's proportion of the net OPEB liability or asset	0.023788%	0.024113%	0.025194%	0.025119%
City's proportionate share of the net OPEB liability (asset)	\$ (214,692)	\$ 152,037	\$ (789,115)	\$ (447,515)
City's covered payroll	\$ 3,952,950	\$ 3,769,579	\$ 3,591,029	\$ 3,484,357
City's proportionate share of the net OPEB liability or asset as a percentage of its covered payroll	5.43%	4.03%	21.97%	12.84%
Plan fiduciary net position as a percentage of total OPEB liability or asset	107.76%	94.79%	128.23%	115.57%

	2024	2023	2022	2021
Ohio Police and Fire Pension Fund				
City's proportion of the net OPEB liability	0.042362%	0.038666%	0.031198%	0.038629%
City's proportionate share of the net OPEB liability	\$ 309,301	\$ 275,291	\$ 341,956	\$ 409,284
City's covered payroll	\$ 1,290,800	\$ 1,142,600	\$ 883,800	\$ 1,059,000
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	23.96%	24.09%	38.69%	38.65%
Plan fiduciary net position as a percentage of total OPEB liability	51.89%	52.59%	46.86%	45.42%

See notes to required supplementary information.

(1) Information prior to 2017 is not available and the amounts presented are as of the City's measurement date which is the prior year end.

(2) Restated during 2018.

2020	2019	2018	2017 (2)
0.026884%	0.026343%	0.025749%	0.025126%
\$ 3,713,379	\$ 3,434,505	\$ 2,796,152	\$ 2,537,811
\$ 3,532,964	\$ 3,556,464	\$ 3,652,100	\$ 3,501,800
105.11%	96.57%	76.56%	72.47%
47.80%	46.33%	54.14%	54.05%

2020	2019	2018	2017 (2)
0.040255%	0.039229%	0.037125%	0.038622%
\$ 397,630	\$ 357,240	\$ 2,103,439	\$ 1,833,279
\$ 66,200	\$ 990,400	\$ 897,600	\$ 902,800
600.65%	36.07%	234.34%	203.07%
47.10%	46.57%	14.13%	15.96%

City of Chardon, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Public Employees Retirement System						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 4,133,736	\$ 3,952,950	\$ 3,769,579	\$ 3,591,029	\$ 3,484,357	\$ 3,532,964
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Police and Fire Pension Fund						
Contractually required contribution	\$ 6,725	\$ 6,454	\$ 5,713	\$ 4,419	\$ 5,295	\$ 331
Contributions in relation to contractually required contribution	<u>(6,725)</u>	<u>(6,454)</u>	<u>(5,713)</u>	<u>(4,419)</u>	<u>(5,295)</u>	<u>(331)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,345,000	\$ 1,290,800	\$ 1,142,600	\$ 883,800	\$ 1,059,000	\$ 66,200
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ -	\$ 36,521	\$ 70,036	\$ 66,303
<u>-</u>	<u>(36,521)</u>	<u>(70,036)</u>	<u>(66,303)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,556,464	\$ 3,652,100	\$ 3,501,800	\$ 3,315,150
0.00%	1.00%	2.00%	2.00%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 4,952	\$ 4,488	\$ 4,514	\$ 4,418
<u>(4,952)</u>	<u>(4,488)</u>	<u>(4,514)</u>	<u>(4,418)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 990,400	\$ 897,600	\$ 902,800	\$ 883,600
0.50%	0.50%	0.50%	0.50%

City of Chardon, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2024

Net Pension Liability

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for 2024. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Ohio Police and Fire Pension Fund

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2024. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Net OPEB Liability or Asset

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2024. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Ohio Police and Fire Pension Fund

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2024. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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 Chardon
Geauga County
111 Water Street
Chardon, OH 44024

To the Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chardon, Geauga 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 27, 2025. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion 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.

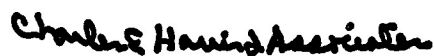
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 financial statements. 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.



Charles E. Harris & Associates, Inc.
June 27, 2025

OHIO AUDITOR OF STATE KEITH FABER



CITY OF CHARDON

GEAUGA 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 10/21/2025

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