



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF CHARDON
GEAUGA COUNTY
DECEMBER 31, 2021**

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CITY OF CHARDON
GEAUGA COUNTY
DECEMBER 31, 2021

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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 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 October 26, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 26, 2022

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City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

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, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider 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 2021 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 \$70,686,739.
- ◆ City's total net position increased \$5,996,107 during 2021. Net position of the governmental activities increased \$4,408,109, while net position of business-type activities increased as well by \$1,587,998.
- ◆ The general fund, the City's largest major governmental fund, had revenues of \$8,935,255 in 2021, or 68.2 percent of total governmental funds. Expenditures of the general fund were \$6,420,436, or 53.3 percent of total governmental funds.
- ◆ The general fund balance increased \$1,085,433, or 19.4 percent in 2021.
- ◆ Business-type operations reflected operating revenue of \$3,613,798 during 2021, and business-type unrestricted net position was \$992,559 at December 31, 2021.

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, 2021

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 2021”? 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, general obligation debt service 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, 2021

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 27 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 31 of this report.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

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 33 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, 2021

Table 1 provides a summary of the City's net position for 2021 as compared to 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 15,367,880	\$ 12,519,113	\$ 2,622,110	\$ 2,626,960	\$ 17,989,990	\$ 15,146,073
Capital assets, net	47,903,835	47,706,813	32,417,476	32,585,442	80,321,311	80,292,255
Total assets	<u>63,271,715</u>	<u>60,225,926</u>	<u>35,039,586</u>	<u>35,212,402</u>	<u>98,311,301</u>	<u>95,438,328</u>
Deferred outflows of resources:						
Pension	814,852	1,123,631	114,625	178,174	929,477	1,301,805
OPEB	481,587	825,804	54,115	148,804	535,702	974,608
Total deferred outflows of resources	<u>1,296,439</u>	<u>1,949,435</u>	<u>168,740</u>	<u>326,978</u>	<u>1,465,179</u>	<u>2,276,413</u>
Liabilities:						
Current liabilities	1,218,031	832,491	123,149	83,118	1,341,180	915,609
Long-term liabilities						
Due within one year	822,476	791,408	754,729	1,168,936	1,577,205	1,960,344
Due in more than one year:						
Net pension liability	5,461,467	6,543,366	835,234	1,131,601	6,296,701	7,674,967
Net OPEB liability	409,284	3,264,359	-	846,650	409,284	4,111,009
Other amounts	7,167,208	7,243,502	6,708,358	7,447,150	13,875,566	14,690,652
Total liabilities	<u>15,078,466</u>	<u>18,675,126</u>	<u>8,421,470</u>	<u>10,677,455</u>	<u>23,499,936</u>	<u>29,352,581</u>
Deferred inflows of resources:						
Property taxes	1,640,349	1,254,201	-	-	1,640,349	1,254,201
Payments in lieu of taxes	199,051	162,781	-	-	199,051	162,781
Pension	1,657,075	1,264,556	383,422	271,637	2,040,497	1,536,193
OPEB	1,364,219	597,812	345,689	120,541	1,709,908	718,353
Total deferred inflows of resources	<u>4,860,694</u>	<u>3,279,350</u>	<u>729,111</u>	<u>392,178</u>	<u>5,589,805</u>	<u>3,671,528</u>
Net Position:						
Net investment in capital assets	40,572,714	40,303,758	25,065,186	24,113,132	65,637,900	64,416,890
Restricted	3,281,856	2,956,778	-	-	3,281,856	2,956,778
Unrestricted	774,424	(3,039,651)	992,559	356,615	1,766,983	(2,683,036)
Total net position	<u>\$ 44,628,994</u>	<u>\$ 40,220,885</u>	<u>\$ 26,057,745</u>	<u>\$ 24,469,747</u>	<u>\$ 70,686,739</u>	<u>\$ 64,690,632</u>

Net position may serve over time as a useful indicator of a government's financial position. As displayed in Table 1, total net position of the City as a whole, increased \$5,996,107 from 2020 to 2021. Total net position of the City's governmental activities increased by \$4,408,109, and unrestricted net position increased from 2020 to 2021. The increase in unrestricted net position can be attributed to the same reason for the general fund's increase as well as expense reduction adjustments made for changes with pension and OPEB activity for governmental and business-type activities.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

The largest portion of the City's net position (92.9 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.

Total assets for 2021 increased \$2,872,973 or 3.0 percent when compared to 2020. The increase in total assets was primarily due to an increase in equity in pooled cash and cash equivalents, income tax and capital assets from construction projects that were completed during the year in governmental activities.

The City has tried 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, 2021, 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 6.5 percent in 2021. 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 or asset 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, 2021

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.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenue:						
Charges for services	\$ 2,398,878	\$ 2,126,947	\$ 3,613,798	\$ 3,347,675	\$ 6,012,676	\$ 5,474,622
Operating grants and contributions	1,332,891	963,222	5,598	3,077	1,338,489	966,299
Capital grants and contributions	48,412	1,497,083	164,801	-	213,213	1,497,083
Total program revenues	<u>3,780,181</u>	<u>4,587,252</u>	<u>3,784,197</u>	<u>3,350,752</u>	<u>7,564,378</u>	<u>7,938,004</u>
General Revenues:						
Property taxes	1,343,748	1,298,487	-	-	1,343,748	1,298,487
Income taxes	7,432,746	6,596,392	-	-	7,432,746	6,596,392
Grant and entitlements	339,841	362,040	-	-	339,841	362,040
Payments in lieu of taxes	199,051	162,780	-	-	199,051	162,780
Gain on sale of capital assets	2,450	10,000	-	-	2,450	10,000
Investment earnings	(41,762)	180,759	2,341	15,559	(39,421)	196,318
Contributions	-	233,542	-	-	-	233,542
Other	239,749	424,541	-	-	239,749	424,541
Total general revenues	<u>9,515,823</u>	<u>9,268,541</u>	<u>2,341</u>	<u>15,559</u>	<u>9,518,164</u>	<u>9,284,100</u>
Total revenues	<u>13,296,004</u>	<u>13,855,793</u>	<u>3,786,538</u>	<u>3,366,311</u>	<u>17,082,542</u>	<u>17,222,104</u>
Program Expenses:						
General government	2,659,732	4,246,030	-	-	2,659,732	4,246,030
Security of persons and property	3,248,669	4,146,239	-	-	3,248,669	4,146,239
Public health services	27,063	57,258	-	-	27,063	57,258
Transportation	2,350,476	2,953,481	-	-	2,350,476	2,953,481
Community environment	176,652	282,446	-	-	176,652	282,446
Basic utility services	-	79,950	-	-	-	79,950
Leisure time activities	337,944	272,385	-	-	337,944	272,385
Interest and fiscal charges	62,033	121,738	-	-	62,033	121,738
Water	-	-	868,169	1,206,992	868,169	1,206,992
Sewer	-	-	1,355,697	1,883,945	1,355,697	1,883,945
Total program expenses	<u>8,862,569</u>	<u>12,159,527</u>	<u>2,223,866</u>	<u>3,090,937</u>	<u>11,086,435</u>	<u>15,250,464</u>
Excess before transfers	4,433,435	1,696,266	1,562,672	275,374	5,996,107	1,971,640
Transfers	<u>(25,326)</u>	<u>(688,539)</u>	<u>25,326</u>	<u>688,539</u>	<u>-</u>	<u>-</u>
Change in net position	4,408,109	1,007,727	1,587,998	963,913	5,996,107	1,971,640
Net position at beginning of year	<u>40,220,885</u>	<u>39,213,158</u>	<u>24,469,747</u>	<u>23,505,834</u>	<u>64,690,632</u>	<u>62,718,992</u>
Net position at end of year	<u>\$44,628,994</u>	<u>\$40,220,885</u>	<u>\$26,057,745</u>	<u>\$24,469,747</u>	<u>\$70,686,739</u>	<u>\$64,690,632</u>

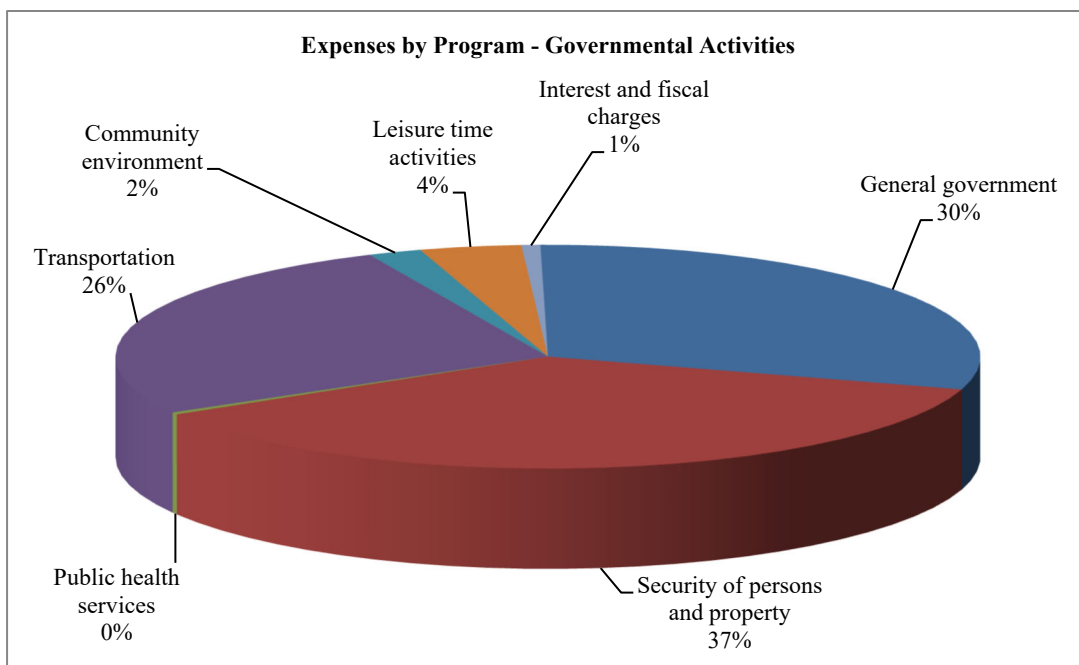
City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

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 2021 the revenues generated from this tax amounted to \$7,432,746. The increase in income tax revenues from 2020 was 12.7 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 93.2 percent of the governmental expenses. During 2021, 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.



City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

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 \$1,587,998. This increase is due in part to a transfer of cash mainly from charges for services exceeding operating expenses, which contributed to the increase in net position. In addition, expenditures decreased \$867,071 from 2020.

Overall, the City's business-type activities generated \$3,784,197 in program revenues during 2021, which covered program expenses of \$2,223,866.

As a result of implementing the accounting standards for pension and OPEB, the City is reporting a net pension liability, 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, 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.

	2021	2020	2021	2020
	Governmental	Governmental	Business-Type	Business-Type
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Net OPEB asset	\$ 345,482	\$ -	\$ 102,033	\$ -
Deferred outflows - pension	814,852	1,123,631	114,625	178,174
Deferred outflows - OPEB	481,587	825,804	54,115	148,804
Deferred inflows - pension	(1,657,075)	(1,264,556)	(383,422)	(271,637)
Deferred inflows - OPEB	(1,364,219)	(597,812)	(345,689)	(120,541)
Net pension liability	(5,461,467)	(6,543,366)	(835,234)	(1,131,601)
Net OPEB liability	(409,284)	(3,264,359)	-	(846,650)
Impact of GASBs 68 and 75 on net position	<u>\$ (7,250,124)</u>	<u>\$ (9,720,658)</u>	<u>\$ (1,293,572)</u>	<u>\$ (2,043,451)</u>
 Expenses:				
General government	\$ 1,393,310	\$ 326,518	\$ -	\$ -
Security of persons and property	325,568	302,567	-	-
Public health services	14,881	4,693	-	-
Transportation	518,085	120,715	-	-
Community environment	105,912	23,768	-	-
Basic utility services	-	6,552	-	-
Leisure time activities	112,778	15,484	-	-
Water	-	-	315,738	74,406
Sewer	-	-	434,141	102,310
Net expense impact	<u>\$ 2,470,534</u>	<u>\$ 800,297</u>	<u>\$ 749,879</u>	<u>\$ 176,716</u>

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

For 2021, the net expense impact of 68 and 75 was \$2,470,534 for governmental activities and \$749,879 for business-type activities. This was for reporting the increase 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 an expense reduction which decreased expenses.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,083,471 and expenditures and other financing uses of \$13,586,167. The net change in fund balance for the year was significant in the general fund. It is showing an increase in fund balance of \$1,085,433; which is due to an overall increase in revenues not attributed to any single item.

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 2021 balances compared to 2020:

Table 3
Change in Fund Balance

	Fund Balance		Increase (Decrease)	Percent Change
	December 31, <u>2021</u>	December 31, <u>2020</u>		
General	\$ 6,667,493	\$ 5,582,060	\$ 1,085,433	19.4%
General obligation debt service	684	49,653	(48,969)	-98.6%
General capital improvement	783,670	453,360	330,310	72.9%
Other governmental funds	<u>3,028,601</u>	<u>2,898,071</u>	<u>130,530</u>	4.5%
	<u>\$ 10,480,448</u>	<u>\$ 8,983,144</u>	<u>\$ 1,497,304</u>	

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

Table 4 below assists in illustrating the financial activities for the general fund of year 2021 balances compared to 2020:

Table 4
Change in Financial Activities for the General Fund

	December 31, <u>2021</u>	December 31, <u>2020</u>	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Municipal income tax	\$ 6,864,300	\$ 6,096,898	\$ 767,402	12.6%
Property and other taxes	430,690	397,791	32,899	8.3%
Charges for services	25,998	13,714	12,284	89.6%
Licenses and permits	243,873	121,342	122,531	101.0%
Fines and forfeitures	825,996	669,698	156,298	23.3%
Intergovernmental	223,829	241,161	(17,332)	(7.2%)
Special assessments	30,933	45,450	(14,517)	(31.9%)
Investment income	(41,762)	180,759	(222,521)	(123.1%)
Rentals	90,828	64,599	26,229	40.6%
Other	<u>240,570</u>	<u>465,773</u>	<u>(225,203)</u>	<u>(48.4%)</u>
Total revenue	<u>8,935,255</u>	<u>8,297,185</u>	<u>638,070</u>	
<u>Expenditures:</u>				
Current:				
General government	3,038,313	2,703,568	334,745	12.4%
Security of persons and property	1,804,283	2,032,358	(228,075)	(11.2%)
Transportation	1,307,977	1,315,026	(7,049)	(0.5%)
Community environment	226,749	199,253	27,496	13.8%
Capital outlay	-	950	(950)	(100.0%)
Debt service:				
Principal retirement	<u>43,114</u>	<u>21,557</u>	<u>21,557</u>	100.0%
Total expenditures	<u>\$ 6,420,436</u>	<u>\$ 6,272,712</u>	<u>\$ 147,724</u>	

As shown in Table 4, total revenues and expenditures increased when compared to 2020. These increases were not specific to any single item.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

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 \$7,952,262 or \$100,000 higher than the original budgeted amount for the year. This increase was mainly due to licenses and permits, and other revenues. Actual revenues and other financing sources exceeded the final amount by \$1,000,915. The higher final budget when compared to the original budget was due to accounting for unknown revenues at the time of the original budget. Actual revenues exceeding the final budget amounts because of conservative budgeting practices.

Final budgeted expenditures (excluding transfers-out) of \$7,839,381 were greater than the original budgeted expenditures by \$173,000. This change was mainly reported in general government, community environment and transportation functions and due to increased costs associated with those functions. Actual expenditures and encumbrances (excluding transfers-out) for the year were \$1,004,158 less than the final budgeted amounts. This change was mainly due to close monitoring of expenditures and staff turnover.

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, 2021

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the City had \$80,321,312 invested in land and land use rights, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure.

Table 5 shows fiscal year 2021 balances of capital assets as compared to 2020:

Table 5
Capital Assets at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</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	3,781,838	2,486,732	240,778	30,223	4,022,616	2,516,955
Land improvements	2,981,945	2,915,259	242,678	242,678	3,224,623	3,157,937
Buildings	14,971,490	14,971,490	20,888,823	20,888,823	35,860,313	35,860,313
Machinery and equipment	1,961,822	1,734,037	4,290,883	4,228,790	6,252,705	5,962,827
Vehicles	1,962,398	1,992,668	446,802	446,802	2,409,200	2,439,470
Infrastructure						
Traffic lights	2,092,476	2,092,476	-	-	2,092,476	2,092,476
Streets and sidewalks	27,211,852	26,865,593	-	-	27,211,852	26,865,593
Storm sewers, bridges and culverts	15,565,669	15,565,669	-	-	15,565,669	15,565,669
Water lines	-	-	8,521,792	8,269,603	8,521,792	8,269,603
Sewer lines	-	-	15,966,482	15,966,482	15,966,482	15,966,482
Less: accumulated depreciation	<u>(26,070,216)</u>	<u>(24,361,672)</u>	<u>(18,555,242)</u>	<u>(17,862,439)</u>	<u>(44,625,458)</u>	<u>(42,224,111)</u>
Total capital assets	<u>\$ 47,903,835</u>	<u>\$ 47,706,813</u>	<u>\$ 32,417,476</u>	<u>\$ 32,585,442</u>	<u>\$ 80,321,311</u>	<u>\$ 80,292,255</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 \$1,905,566 mainly due to completion of construction in progress from ongoing projects. This was offset by an increase in accumulated depreciation of \$1,708,544, which includes an adjustment for disposals. Capital assets, net of depreciation for business-type activities decreased by \$167,965, mainly due to this year's depreciation amount exceeding current year additions.

City of Chardon, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2021

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, 2021, the City of Chardon had \$14,683,411 in outstanding debt, of which \$3,888,000 was in refunding general obligation bonds. Table 6 summarizes the outstanding obligations of the City.

Table 6
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Refunding general obligation bonds	\$ 3,888,000	\$ 4,190,000	\$ -	\$ -	\$ 3,888,000	\$ 4,190,000
OPWC loans	3,443,121	3,213,055	-	-	3,443,121	3,213,055
OWDA loans	-	-	7,352,290	8,472,310	7,352,290	8,472,310
Total	<u>\$ 7,331,121</u>	<u>\$ 7,403,055</u>	<u>\$ 7,352,290</u>	<u>\$ 8,472,310</u>	<u>\$ 14,683,411</u>	<u>\$ 15,875,365</u>

At December 31, 2021 the City's overall legal debt margin was \$14,325,378, with an unvoted debt margin of \$5,605,524. The City's credit rating remained unchanged in 2021 as compared to 2020.

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, 2021

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 9,669,335	\$ 1,614,732	\$ 11,284,067
Cash and cash equivalents in segregated accounts	3,904	-	3,904
<u>Receivables:</u>			
Income tax	2,186,729	-	2,186,729
Property and other taxes	1,672,364	-	1,672,364
Accounts	307,231	487,887	795,118
Special assessments	24,697	-	24,697
Accrued interest	15,260	-	15,260
Intergovernmental	545,544	-	545,544
Revenue in lieu of taxes	199,051	-	199,051
Materials and supplies inventory	398,283	417,458	815,741
Net OPEB asset	345,482	102,033	447,515
Nondepreciable capital assets	7,226,399	615,258	7,841,657
Depreciable capital assets	66,747,652	50,357,460	117,105,112
Accumulated depreciation	(26,070,216)	(18,555,242)	(44,625,458)
Total assets	<u>63,271,715</u>	<u>35,039,586</u>	<u>98,311,301</u>
<u>Deferred outflows of resources:</u>			
Pension	814,852	114,625	929,477
OPEB	481,587	54,115	535,702
Total deferred outflows of resources	<u>1,296,439</u>	<u>168,740</u>	<u>1,465,179</u>
<u>Liabilities:</u>			
Accounts payable	612,037	90,475	702,512
Accrued wages and benefits	137,254	28,660	165,914
Accrued pension	20,850	4,014	24,864
Intergovernmental payable	412	-	412
Unearned revenue	270,205	-	270,205
Undistributed monies	14,633	-	14,633
Deposits held and due to others	134,401	-	134,401
Income tax refunds payable	23,638	-	23,638
Accrued interest payable	4,601	-	4,601
<u>Long-term liabilities:</u>			
Due within one year	830,894	754,729	1,585,623
Due in more than one year:			
Net pension liability	5,461,467	835,234	6,296,701
Net OPEB liability	409,284	-	409,284
Other amounts due in more than one year	7,158,790	6,708,358	13,867,148
Total liabilities	<u>15,078,466</u>	<u>8,421,470</u>	<u>23,499,936</u>
<u>Deferred inflows of resources:</u>			
Property taxes	1,640,349	-	1,640,349
Payments in lieu of taxes	199,051	-	199,051
Pension	1,657,075	383,422	2,040,497
OPEB	1,364,219	345,689	1,709,908
Total deferred inflows of resources	<u>4,860,694</u>	<u>729,111</u>	<u>5,589,805</u>
<u>Net position:</u>			
Net investment in capital assets	40,572,714	25,065,186	65,637,900
<u>Restricted for:</u>			
Capital projects	824,948	-	824,948
Transportation	874,985	-	874,985
Security of persons and property	746,359	-	746,359
Other purposes	835,564	-	835,564
Unrestricted	774,424	992,559	1,766,983
Total net position	<u>\$ 44,628,994</u>	<u>\$ 26,057,745</u>	<u>\$ 70,686,739</u>

See accompanying notes to the basic financial statements.

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 2,659,732	\$ 1,356,401	\$ 179,028	\$ -
Security of persons and property	3,248,669	424,209	33,362	-
Public health services	27,063	35,172	598	-
Transportation	2,350,476	130,479	1,117,701	48,412
Community environment	176,652	317,076	-	-
Leisure time activities	337,944	135,541	2,202	-
Interest and fiscal charges	62,033	-	-	-
Total governmental activities	8,862,569	2,398,878	1,332,891	48,412
<u>Business-Type Activities:</u>				
Water	868,169	1,548,700	1,468	164,801
Sewer	1,355,697	2,065,098	4,130	-
Total business-type activities	2,223,866	3,613,798	5,598	164,801
Total primary government	\$ 11,086,435	\$ 6,012,676	\$ 1,338,489	\$ 213,213

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
Gain on sale of capital assets
Investment earnings
Other
Transfers
Total general revenues and transfers

Change in net assets

Net position, beginning of year
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
\$ (1,124,303)	\$ -	\$ (1,124,303)
(2,791,098)	-	(2,791,098)
8,707	-	8,707
(1,053,884)	-	(1,053,884)
140,424	-	140,424
(200,201)	-	(200,201)
(62,033)	-	(62,033)
(5,082,388)	-	(5,082,388)
-	846,800	846,800
-	713,531	713,531
-	1,560,331	1,560,331
(5,082,388)	1,560,331	(3,522,057)
426,873	-	426,873
916,875	-	916,875
7,064,044	-	7,064,044
368,702	-	368,702
339,841	-	339,841
199,051	-	199,051
2,450	-	2,450
(41,762)	2,341	(39,421)
239,749	-	239,749
(25,326)	25,326	-
9,490,497	27,667	9,518,164
4,408,109	1,587,998	5,996,107
40,220,885	24,469,747	64,690,632
\$ 44,628,994	\$ 26,057,745	\$ 70,686,739

City of Chardon, Ohio

Balance Sheet

Governmental Funds

December 31, 2021

	General	General Obligation Debt Service	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 5,478,533	\$ 684	\$ 881,531	\$ 3,300,533	\$ 9,661,281
Cash and cash equivalents:					
In segregated accounts	3,904	-	-	-	3,904
Receivables:					
Income tax	2,077,392	-	65,602	43,735	2,186,729
Property and other taxes	421,457	-	-	1,250,907	1,672,364
Accounts	40,208	-	-	267,023	307,231
Special assessments	24,697	-	-	-	24,697
Accrued interest	15,260	-	-	-	15,260
Intergovernmental	148,934	-	-	396,610	545,544
Revenue in lieu of taxes	-	-	-	199,051	199,051
Materials and supplies inventory	207,664	-	-	190,619	398,283
Total assets	<u>\$ 8,418,049</u>	<u>\$ 684</u>	<u>\$ 947,133</u>	<u>\$ 5,648,478</u>	<u>\$ 15,014,344</u>
Liabilities, deferred inflows of resources and fund balances:					
<u>Liabilities:</u>					
Accounts payable	\$ 98,706	\$ -	\$ 138,760	\$ 374,571	\$ 612,037
Accrued wages and benefits	115,959	-	-	21,295	137,254
Accrued pension	17,659	-	-	3,191	20,850
Intergovernmental payable	-	-	-	412	412
Unearned revenue	-	-	-	270,205	270,205
Undistributed monies	14,633	-	-	-	14,633
Deposits held and due to others	134,401	-	-	-	134,401
Income tax refunds payable	23,638	-	-	-	23,638
Total liabilities	<u>404,996</u>	<u>-</u>	<u>138,760</u>	<u>669,674</u>	<u>1,213,430</u>
<u>Deferred inflows of resources:</u>					
Property taxes	413,306	-	-	1,227,043	1,640,349
Payments in lieu of taxes	-	-	-	199,051	199,051
Unavailable revenue - delinquent property taxes	8,151	-	-	23,864	32,015
Unavailable revenue - other	924,103	-	24,703	500,245	1,449,051
Total deferred inflows of resources	<u>1,345,560</u>	<u>-</u>	<u>24,703</u>	<u>1,950,203</u>	<u>3,320,466</u>
<u>Fund balances:</u>					
Nonspendable	207,664	-	-	190,619	398,283
Restricted	-	-	-	2,863,255	2,863,255
Committed	-	-	783,670	228,874	1,012,544
Assigned	1,692,148	684	-	-	1,692,832
Unassigned	4,767,681	-	-	(254,147)	4,513,534
Total fund balances	<u>6,667,493</u>	<u>684</u>	<u>783,670</u>	<u>3,028,601</u>	<u>10,480,448</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,418,049</u>	<u>\$ 684</u>	<u>\$ 947,133</u>	<u>\$ 5,648,478</u>	<u>\$ 15,014,344</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, 2021**

Total governmental fund balances		\$ 10,480,448
<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.		47,903,835
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	\$ 32,146	
Income taxes	823,408	
Intergovernmental	390,284	
Special assessments	24,697	
Charges for services	194,445	
Licenses and permits	16,086	
Total	1,481,066	1,481,066
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	\$ 345,482	
Deferred outflows - pension	814,852	
Deferred inflows - pension	(1,657,075)	
Net pension liability	(5,461,467)	
Deferred outflows - OPEB	481,587	
Deferred inflows - OPEB	(1,364,219)	
Net OPEB liability	(409,284)	
Total	(7,250,124)	(7,250,124)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(4,601)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding general obligation bonds	\$ (3,888,000)	
OPWC loan	(3,443,121)	
Compensated absences	(658,563)	
Total	(7,989,684)	(7,989,684)
Net position of governmental activities		\$ 44,628,994

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, 2021

	General	General Obligation Debt Service	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income tax	\$ 6,864,300	\$ -	\$ 217,513	\$ 145,010	\$ 7,226,823
Property and other taxes	430,690	-	-	919,233	1,349,923
Charges for services	25,998	-	-	459,327	485,325
Licenses and permits	243,873	-	-	-	243,873
Fines and forfeitures	825,996	-	-	313,845	1,139,841
Intergovernmental	223,829	-	48,412	1,363,109	1,635,350
Special assessments	30,933	-	-	315,215	346,148
Investment income	(41,762)	-	-	730	(41,032)
Payments in lieu of taxes	-	-	-	199,051	199,051
Rentals	90,828	-	-	110,446	201,274
Other	240,570	-	7,500	61,821	309,891
Total revenue	8,935,255	-	273,425	3,887,787	13,096,467
Expenditures:					
Current:					
General government	3,038,313	-	99	635,594	3,674,006
Security of persons and property	1,804,283	-	1	1,644,983	3,449,267
Public health services	-	-	-	34,619	34,619
Transportation	1,307,977	-	1,450	381,807	1,691,234
Community environment	226,749	-	-	53,624	280,373
Leisure time activities	-	-	974	336,862	337,836
Capital outlay	-	-	486,641	1,487,408	1,974,049
Debt service:					
Principal retirement	43,114	302,000	-	195,760	540,874
Interest and fiscal charges	-	62,969	-	-	62,969
Total expenditures	6,420,436	364,969	489,165	4,770,657	12,045,227
Excess of revenues over (under) expenditures	2,514,819	(364,969)	(215,740)	(882,870)	1,051,240
Other financing sources (uses):					
Proceeds of OPWC loans	-	-	-	468,940	468,940
Proceeds from sale of capital assets	-	-	2,450	-	2,450
Transfers - in	43,114	316,000	565,500	591,000	1,515,614
Transfers - out	(1,472,500)	-	(21,900)	(46,540)	(1,540,940)
Total other financing sources (uses)	(1,429,386)	316,000	546,050	1,013,400	446,064
Net change in fund balance	1,085,433	(48,969)	330,310	130,530	1,497,304
Fund balances at beginning of year	5,582,060	49,653	453,360	2,898,071	8,983,144
Fund balances at end of year	\$ 6,667,493	\$ 684	\$ 783,670	\$ 3,028,601	\$ 10,480,448

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, 2021

Net change in fund balances - Total governmental funds		\$ 1,497,304
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 1,974,049	
Depreciation expense	<u>(1,777,027)</u>	
Excess of capital outlay and transferred assets over depreciation expense		197,022
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	\$ (6,175)	
Income taxes	205,923	
Intergovernmental	44,787	
Special assessments	(30,933)	
Charges for services	(12,743)	
Licenses and permits	(440)	
Other	<u>(3,332)</u>	
Net change in deferred inflows of resources during the year		197,087
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	\$ (26,708)	
Decrease in accrued interest	<u>936</u>	
Total additional expenditures		(25,772)
Contractually required contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows.		
Pension		556,040
OPEB		4,419
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		(175,439)
OPEB		2,085,514
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.		
		540,874
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.		
		<u>(468,940)</u>
Change in net position of governmental activities		<u>\$ 4,408,109</u>

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, 2021**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 5,930,300	\$ 5,930,300	\$ 6,823,842	\$ 893,542
Property and other taxes	387,333	387,333	430,600	43,267
Charges for services	8,100	8,100	14,594	6,494
Licenses and permits	120,860	216,360	243,873	27,513
Fines and forfeitures	805,000	805,000	822,028	17,028
Intergovernmental	180,489	180,489	196,477	15,988
Special assessments	20,000	20,000	30,933	10,933
Investment income	45,000	45,000	62,943	17,943
Rent	85,000	85,000	90,828	5,828
Other	237,500	242,000	234,388	(7,612)
Total revenue	<u>7,819,582</u>	<u>7,919,582</u>	<u>8,950,506</u>	<u>1,030,924</u>
<u>Expenditures:</u>				
Current:				
General government	3,464,520	3,497,520	3,281,679	215,841
Security of persons and property	2,363,635	2,363,635	1,865,642	497,993
Transportation	1,611,672	1,711,672	1,459,597	252,075
Community environment	226,554	266,554	228,305	38,249
Total expenditures	<u>7,666,381</u>	<u>7,839,381</u>	<u>6,835,223</u>	<u>1,004,158</u>
Excess of revenues over expenditures	<u>153,201</u>	<u>80,201</u>	<u>2,115,283</u>	<u>2,035,082</u>
<u>Other financing sources (uses):</u>				
Transfers - in	32,680	32,680	2,671	(30,009)
Transfers - out	(1,589,180)	(1,559,180)	(1,475,171)	84,009
Total other financing sources (uses)	<u>(1,556,500)</u>	<u>(1,526,500)</u>	<u>(1,472,500)</u>	<u>54,000</u>
Net change in fund balance	(1,403,299)	(1,446,299)	642,783	2,089,082
Fund balance at beginning of year	1,683,537	1,683,537	1,683,537	-
Prior year encumbrances appropriated	389,982	389,982	389,982	-
Fund balance at end of year	<u>\$ 670,220</u>	<u>\$ 627,220</u>	<u>\$ 2,716,302</u>	<u>\$ 2,089,082</u>

See accompanying notes to the basic financial statements.

City of Chardon, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Activities Internal Service
<u>Assets:</u>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 656,752	\$ 957,980	\$ 1,614,732	\$ 8,054
Accounts receivable	218,977	268,910	487,887	-
Materials and supplies inventory	368,483	48,975	417,458	-
Total current assets	1,244,212	1,275,865	2,520,077	8,054
Noncurrent assets:				
Net OPEB asset	42,961	59,072	102,033	
Capital assets:				
Nondepreciable capital assets	487,524	127,734	615,258	-
Depreciable capital assets	16,496,298	33,861,162	50,357,460	-
Accumulated depreciation	(4,839,186)	(13,716,056)	(18,555,242)	-
Total noncurrent assets	12,187,597	20,331,912	32,519,509	-
Total assets	13,431,809	21,607,777	35,039,586	8,054
<u>Deferred outflows of resources:</u>				
Pension	48,263	66,362	114,625	-
OPEB	22,785	31,330	54,115	-
Total deferred outflows of resources	71,048	97,692	168,740	-
<u>Liabilities:</u>				
Current liabilities:				
Accounts payable	73,076	17,399	90,475	-
Accrued wages and benefits	13,043	15,617	28,660	-
Accrued pension	1,827	2,187	4,014	-
Compensated absences payable	16,326	25,605	41,931	-
OWDA loans payable	345,118	367,680	712,798	-
Total current liabilities	449,390	428,488	877,878	-
Long-term liabilities:				
Compensated absences payable	42,937	25,929	68,866	-
OWDA loans payable, net of current portion	2,389,143	4,250,349	6,639,492	-
Net pension liability	351,677	483,557	835,234	-
Total long-term liabilities	2,783,757	4,759,835	7,543,592	-
Total liabilities	3,233,147	5,188,323	8,421,470	-
<u>Deferred inflows of resources:</u>				
Pension	161,441	221,981	383,422	-
OPEB	145,553	200,136	345,689	-
Total deferred inflows of resources	306,994	422,117	729,111	-
<u>Net position:</u>				
Net investment in capital assets	9,410,376	15,654,810	25,065,186	-
Unrestricted	552,340	440,219	992,559	8,054
Total net position	\$ 9,962,716	\$ 16,095,029	\$ 26,057,745	\$ 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, 2021

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Activities Internal Service
<u>Operating revenues:</u>				
Charges for services	\$ 1,512,189	\$ 2,031,644	\$ 3,543,833	\$ -
Reimbursements	24,905	20,727	45,632	-
Other	11,606	12,727	24,333	-
Total operating revenue	<u>1,548,700</u>	<u>2,065,098</u>	<u>3,613,798</u>	<u>-</u>
<u>Operating expenses:</u>				
Personal services	280,523	330,476	610,999	-
Supplies and materials	75,081	127,934	203,015	-
Travel and education	3,587	3,740	7,327	-
Contractual services	123,129	135,785	258,914	-
Utilities	78,397	158,552	236,949	-
Depreciation	249,722	473,873	723,595	-
Total operating expenses	<u>810,439</u>	<u>1,230,360</u>	<u>2,040,799</u>	<u>-</u>
Operating income	<u>738,261</u>	<u>834,738</u>	<u>1,572,999</u>	<u>-</u>
<u>Nonoperating revenues (expenses):</u>				
State subsidies	1,468	4,130	5,598	-
Interest	1,060	1,281	2,341	-
Interest and fiscal charges	(57,730)	(125,337)	(183,067)	-
Total nonoperating revenues (expenses):	<u>(55,202)</u>	<u>(119,926)</u>	<u>(175,128)</u>	<u>-</u>
Income before transfers and capital contributions	683,059	714,812	1,397,871	-
Capital contributions from developers	164,801	-	164,801	-
Transfers - in	11,296	68,440	79,736	-
Transfers - out	(18,722)	(35,688)	(54,410)	-
Total transfers and capital contributions	<u>157,375</u>	<u>32,752</u>	<u>190,127</u>	<u>-</u>
Change in net position	840,434	747,564	1,587,998	-
Net position at beginning of year	<u>9,122,282</u>	<u>15,347,465</u>	<u>24,469,747</u>	<u>8,054</u>
Net position at end of year	<u>\$ 9,962,716</u>	<u>\$ 16,095,029</u>	<u>\$ 26,057,745</u>	<u>\$ 8,054</u>

See accompanying notes to the basic financial statements.

City of Chardon, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 1,524,096	\$ 2,085,292	\$ 3,609,388	\$ -
Cash payments for personal services	(588,504)	(801,467)	(1,389,971)	-
Cash payments for travel and entertainment	(3,417)	(3,740)	(7,157)	-
Cash payments for contractual services	(118,983)	(146,038)	(265,021)	-
Cash payments to suppliers for goods and services	(102,974)	(126,857)	(229,831)	-
Cash payments for utilities	(79,502)	(158,484)	(237,986)	-
Cash payments for claims	-	-	-	(94)
Net cash provided by (used for) operating activities	<u>630,716</u>	<u>848,706</u>	<u>1,479,422</u>	<u>(94)</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	-	68,440	68,440	-
Transfers to other funds	<u>(18,722)</u>	<u>(24,392)</u>	<u>(43,114)</u>	-
Net cash provided by (used for) noncapital financing activities	<u>(18,722)</u>	<u>44,048</u>	<u>25,326</u>	-
Cash flows from capital and related financing activities:				
State subsidy	1,468	4,130	5,598	-
Interest paid on debt	(57,730)	(125,337)	(183,067)	-
Principal payment on loans	(338,416)	(781,604)	(1,120,020)	-
Acquisition of capital assets	<u>(294,302)</u>	<u>(52,288)</u>	<u>(346,590)</u>	-
Net cash used for capital and related financing activities	<u>(688,980)</u>	<u>(955,099)</u>	<u>(1,644,079)</u>	-
Cash flows from investing activities:				
Investment income	<u>1,060</u>	<u>1,281</u>	<u>2,341</u>	-
Net cash provided by investing activities	<u>1,060</u>	<u>1,281</u>	<u>2,341</u>	-
Net increase (decrease) in cash and cash equivalents	(75,926)	(61,064)	(136,990)	(94)
Cash and cash equivalents at beginning of year	<u>732,678</u>	<u>1,019,044</u>	<u>1,751,722</u>	<u>8,148</u>
Cash and cash equivalents at end of year	<u>\$ 656,752</u>	<u>\$ 957,980</u>	<u>\$ 1,614,732</u>	<u>\$ 8,054</u>

(Continued)

City of Chardon, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2021 (Continued)

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Activities Internal Service
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 738,261	\$ 834,738	\$ 1,572,999	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	249,722	473,873	723,595	-
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(24,404)	20,194	(4,210)	-
Materials and supplies inventory	(36,400)	76	(36,324)	-
Prepaid items	7,214	3,213	10,427	-
Net OPEB asset	(42,961)	(59,072)	(102,033)	-
(Increase) in deferred outflows of resources - pension	26,758	36,791	63,549	-
(Increase) in deferred outflows of resources - OPEB	39,870	54,819	94,689	-
Increase (decrease) in liabilities:				
Accounts payable	4,003	(12,058)	(8,055)	-
Accrued pension	379	94	473	-
Accrued wages and benefits	2,704	671	3,375	-
Compensated absences	4,975	(37,954)	(32,979)	-
Claims payable	-	-	-	(94)
Net pension liability	(124,787)	(171,580)	(296,367)	-
Net OPEB liability	(356,484)	(490,166)	(846,650)	-
Increase in deferred inflows of resources - pension	47,067	64,718	111,785	-
Increase in deferred inflows of resources - OPEB	94,799	130,349	225,148	-
Net cash provided by (used for) operating activities	<u>\$ 630,716</u>	<u>\$ 848,706</u>	<u>\$ 1,479,422</u>	<u>\$ (94)</u>
Noncash capital and related financing activity:				
Capital assets transfers between water and sewer	\$ 11,296	\$ (11,296)	\$ -	
Capital assets contributed from developers	164,801	-	164,801	
Total noncash capital and related financing activity	<u>\$ 176,097</u>	<u>\$ (11,296)</u>	<u>\$ 164,801</u>	

See accompanying notes to the basic financial statements.

City of Chardon, Ohio
Statement of Fiduciary Net Position
December 31, 2021

	Private Purpose Trust Cemetery	Custodial
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ -	\$ 723
Cash and cash equivalents in segregated accounts	17,022	96,521
Total assets	<u>\$ 17,022</u>	<u>\$ 97,244</u>
<u>Liabilities:</u>		
Intergovernmental payable	<u>\$ -</u>	<u>\$ 96,521</u>
<u>Net position:</u>		
Restricted for:		
Private purpose	17,022	-
Individuals, organizations and other governments	<u>-</u>	<u>723</u>
Total net position	<u>\$ 17,022</u>	<u>\$ 723</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, 2021

	Private Purpose Trust	Custodial
	<u> </u>	<u> </u>
Additions:		
Interest	\$ 2	\$ -
Fines and forfeitures for other governments		905,489
Total additions	<u>2</u>	<u>905,489</u>
Deductions:		
Supplies and materials	191	-
Distributions to the State of Ohio	-	14,142
Distributions to other governments	-	890,624
	<u>191</u>	<u>904,766</u>
Change in net position	(189)	723
Net position at beginning of year	<u>17,211</u>	<u>-</u>
Net position at end of year	<u>\$ 17,022</u>	<u>\$ 723</u>

See accompanying notes to the basic financial statements.

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

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 15 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, 2021

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, 2021

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.

General Obligation Debt Service Fund - This fund is maintained for the accumulation of monies to meet debt service requirements on general obligation debt of the City. Funds are derived from transfers from various other funds.

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, 2021

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.

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

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.

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 Notes 10 and 11.

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

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, 2020, but which were levied to finance year 2021 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 Notes 10 and 11)

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 2021, investments were limited to certificates of deposits, commercial paper and government-sponsored enterprise investments. 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) and Federal Home Loan Mortgage Corporation (FHLMC).

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.

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

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.

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. Capitalization of Interest

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City’s policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

J. 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 expensed. For proprietary funds and business-type activities, any material amount of interest incurred during the construction of capital assets is also capitalized.

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:

City of Chardon, Ohio
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<u>Asset</u> <u>Class</u>	<u>Estimated Useful</u> <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.

K. Pension and Other Postemployment Benefits (OPEB)

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

The current accounting standard requires governments to report their proportionate share of the net pension/OPEB liability 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 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 is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

L. Compensated Absences

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation and compensatory time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments in the next twenty years). The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City's termination policy.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, when applicable, are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. 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.

N. 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.

City of Chardon, Ohio
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Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by 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.

O. 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
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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.

P. 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.

Q. 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.

R. 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.

S. 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.

T. 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, 2021

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 2020. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2021.

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
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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 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, 2021

- 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.

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 1,085,433
Revenue accruals	(25,192)
Expenditure accruals	(14,463)
Encumbrances (budget basis) outstanding at year end	<u>(402,995)</u>
Budget basis	<u>\$ 642,783</u>

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

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	<u>General</u>	<u>General Obligation Debt Service</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>					
Materials and supplies inventory	\$ 207,664	\$ -	\$ -	\$ 190,619	\$ 398,283
<u>Restricted for</u>					
Streets and highways	-	-	-	500,115	500,115
Streets lighting	-	-	-	102,857	102,857
Sidewalks	-	-	-	328,964	328,964
Fire and EMS services	-	-	-	513,790	513,790
Capital improvements	-	-	-	802,080	802,080
Court activities	-	-	-	414,811	414,811
Shade tree	-	-	-	71,339	71,339
Police services	-	-	-	73,869	73,869
Cemetery	-	-	-	55,430	55,430
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,863,255</u>	<u>2,863,255</u>
<u>Committed</u>					
Recreation	-	-	-	118,925	118,925
Fire and EMS services	-	-	-	100,302	100,302
Capital improvements	-	-	783,670	9,647	793,317
Total committed	<u>-</u>	<u>-</u>	<u>783,670</u>	<u>228,874</u>	<u>1,012,544</u>
<u>Assigned</u>					
Encumbrances	322,010	-	-	-	322,010
Next year's budget	1,370,138	-	-	-	1,370,138
Debt service	-	684	-	-	684
Total assigned	<u>1,692,148</u>	<u>684</u>	<u>-</u>	<u>-</u>	<u>1,692,832</u>
Unassigned	<u>4,767,681</u>	<u>-</u>	<u>-</u>	<u>(254,147)</u>	<u>4,513,534</u>
Total fund balances	<u>\$ 6,667,493</u>	<u>\$ 684</u>	<u>\$ 783,670</u>	<u>\$ 3,028,601</u>	<u>\$ 10,480,448</u>

City of Chardon, Ohio
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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).

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.

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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 carrying amount of the City's deposits was \$3,993,727 and the bank balance was \$4,490,611. 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	\$ 365,663	\$ -	\$ -	\$ 365,663	4.9%
Federal Home Loan Bank	371,160	-	-	371,160	5.0%
Federal Farm Credit Bank	1,230,513	-	-	1,230,513	16.7%
Federal National Mortgage Association	255,515	-	-	255,515	3.4%
Total Government Sponsored Enterprise Bonds	<u>2,222,851</u>	<u>-</u>	<u>-</u>	<u>2,222,851</u>	
Other investments:					
Various negotiable certificates of deposit:					
FNB of McGregor TX	250,621	250,621	-	-	3.4%
Pacific Western	250,135	-	250,135	-	3.4%
Enerbank USA	256,196	-	256,196	-	3.5%
BMW Bank of NA	249,000	-	249,000	-	3.4%
Bank of Baroda	259,102	-	259,102	-	3.5%
State Bank of India	258,996	-	-	258,996	3.5%
Morgan Stanley	257,769	-	-	257,769	3.5%
Sallie Mae Bank	244,339	-	-	244,339	3.3%
UBS Bank USA	246,361	-	-	246,361	3.3%
BMO Harris Bank	242,877	-	-	242,877	3.3%
Total negotiable certificates of deposit	<u>2,515,396</u>	<u>250,621</u>	<u>1,014,433</u>	<u>1,250,342</u>	
US Treasury - Notes	2,023,420	-	1,042,900	980,520	27.3%
US Treasury - Bond	246,367	-	-	246,367	3.3%
Various commercial paper	399,526	399,526	-	-	5.3%
Total other investments	<u>5,184,709</u>	<u>650,147</u>	<u>2,057,333</u>	<u>2,477,229</u>	
Total investments	<u>\$ 7,407,560</u>	<u>\$ 650,147</u>	<u>\$ 2,057,333</u>	<u>\$ 4,700,080</u>	<u>100.0%</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally

City of Chardon, Ohio
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For the Year Ended December 31, 2021

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, 2021. 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 2021 amounted to (\$41,762), which includes (\$32,438) 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 the Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC) 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 FHLMC, FNMA and FHLB 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. Each investment held by the City were 5% or more of investments from a single issuer. The table above summarizes the City's percentage of investments at year end. 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, 2021

NOTE 5 – RECEIVABLES

Receivables at December 31, 2021, 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 2021 for real and public utility property taxes represents collections of 2020 taxes.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021, was \$8.5 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2021 property tax receipts were based are as follows:

Property Category	Assessed Value	Percent
<u>Real Property</u>		
Residential and agricultural	\$ 109,724,390	63.57 %
Commercial and industrial	57,492,820	33.31
Public utilities	5,379,880	3.12
Total	<u>\$ 172,597,090</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, 2021, 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 2021 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, 2021

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 2021, all income tax proceeds were allocated to the general fund, general operating reserve and payroll stabilization special revenue funds and general capital improvement reserve capital projects fund. 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

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local government and local government	
Revenue assistance	\$ 47,472
Homestead and rollback	73,704
Gasoline and excise tax	279,889
Motor vehicle license fees	64,930
State shared revenue and grants	<u>79,549</u>
Total	<u>\$ 545,544</u>

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

NOTE 6 - CAPITAL ASSETS

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

	Balance <u>12/31/2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/2021</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,225,359	\$ -	\$ -	\$ 3,225,359
Land use rights	219,202	-	-	219,202
Construction in progress	<u>2,486,732</u>	<u>1,491,313</u>	<u>(196,207)</u>	<u>3,781,838</u>
Total capital assets, not being depreciated	<u>5,931,293</u>	<u>1,491,313</u>	<u>(196,207)</u>	<u>7,226,399</u>
Capital assets, being depreciated				
Land improvements	2,915,259	66,686	-	2,981,945
Buildings	14,971,490	-	-	14,971,490
Machinery and equipment	1,734,037	227,785	-	1,961,822
Vehicles	1,992,668	38,213	(68,483)	1,962,398
Infrastructure:				
Traffic lights	2,092,476	-	-	2,092,476
Storm sewers, bridges and culverts	15,565,669	-	-	15,565,669
Streets and sidewalks	<u>26,865,593</u>	<u>346,259</u>	<u>-</u>	<u>27,211,852</u>
Total capital assets, being depreciated	<u>66,137,192</u>	<u>678,943</u>	<u>(68,483)</u>	<u>66,747,652</u>
Less: accumulated depreciation				
Land improvements	(1,194,780)	(130,687)	-	(1,325,467)
Buildings	(4,650,427)	(305,248)	-	(4,955,675)
Machinery and equipment	(877,382)	(136,119)	-	(1,013,501)
Vehicles	(1,459,362)	(138,091)	68,483	(1,528,970)
Infrastructure:				
Traffic lights	(950,955)	(69,600)	-	(1,020,555)
Storm sewers, bridges and culverts	(4,453,619)	(169,913)	-	(4,623,532)
Streets and sidewalks	<u>(10,775,147)</u>	<u>(827,369)</u>	<u>-</u>	<u>(11,602,516)</u>
Total accumulated depreciation	<u>(24,361,672)</u>	<u>(1,777,027)</u>	<u>68,483</u>	<u>(26,070,216)</u>
Total capital assets, being depreciated, net	<u>41,775,520</u>	<u>(1,098,084)</u>	<u>-</u>	<u>40,677,436</u>
Governmental activities capital assets, net	<u>\$ 47,706,813</u>	<u>\$ 393,229</u>	<u>\$ (196,207)</u>	<u>\$ 47,903,835</u>

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

Depreciation expense was charged to governmental functions as follows:

General government	\$ 381,302
Security of persons and property	109,359
Public health services	7,664
Transportation	1,166,347
Community environment	844
Leisure time activities	<u>111,511</u>
Total depreciation expense	<u>\$ 1,777,027</u>

	Balance <u>12/31/2020</u>	Increases	Decreases	Balance <u>12/31/2021</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 368,210	\$ -	\$ -	\$ 368,210
Land use rights	6,270	-	-	6,270
Construction in progress	<u>30,223</u>	<u>368,402</u>	<u>(157,847)</u>	<u>240,778</u>
Total capital assets, not being depreciated	<u>404,703</u>	<u>368,402</u>	<u>(157,847)</u>	<u>615,258</u>
Capital assets, being depreciated				
Land improvements	242,678	-	-	242,678
Buildings	20,888,823	-	-	20,888,823
Machinery and equipment	4,228,790	62,093	-	4,290,883
Vehicles	446,802	-	-	446,802
Infrastructure:				
Water lines	8,269,603	282,981	(30,792)	8,521,792
Sewer lines	<u>15,966,482</u>	<u>-</u>	<u>-</u>	<u>15,966,482</u>
Total capital assets, being depreciated	<u>50,043,178</u>	<u>345,074</u>	<u>(30,792)</u>	<u>50,357,460</u>
Less: accumulated depreciation				
Land improvements	(203,585)	(10,341)	-	(213,926)
Buildings	(8,054,389)	(417,776)	-	(8,472,165)
Machinery and equipment	(3,978,227)	(39,524)	-	(4,017,751)
Vehicles	(208,162)	(23,390)	-	(231,552)
Infrastructure:				
Water lines	(2,109,582)	(81,503)	30,792	(2,160,293)
Sewer lines	<u>(3,308,494)</u>	<u>(151,061)</u>	<u>-</u>	<u>(3,459,555)</u>
Total accumulated depreciation	<u>(17,862,439)</u>	<u>(723,595)</u>	<u>30,792</u>	<u>(18,555,242)</u>
Total capital assets, being depreciated, net	<u>32,180,739</u>	<u>(378,521)</u>	<u>-</u>	<u>31,802,218</u>
Business-type activities capital assets, net	<u>\$ 32,585,442</u>	<u>\$ (10,119)</u>	<u>\$ (157,847)</u>	<u>\$ 32,417,476</u>

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

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

Water	\$ 249,722
Sewer	<u>473,873</u>
Total depreciation expense	<u>\$ 723,595</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. In 2020, the City self-insured a portion of the medical claims. 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, 2021

NOTE 9 - LONG-TERM DEBT

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

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>	<u>Due in</u> <u>One</u> <u>Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2020 Refunding municipal service facilities, 1.42, maturing 2032	\$ 4,190,000	\$ -	\$ (302,000)	\$ 3,888,000	\$ 314,000
	<u>4,190,000</u>	<u>-</u>	<u>(302,000)</u>	<u>3,888,000</u>	<u>314,000</u>
<u>Other long-term obligations:</u>					
Ohio Public Works Commission 0%					
Park Avenue reconstruction	50,000	-	(25,000)	25,000	25,000
Fifth Avenue improvement project	175,451	-	(23,394)	152,057	23,394
North Street improvement project	134,327	-	(17,910)	116,417	17,910
Downing Drive improvement project	159,757	-	(13,313)	146,444	13,313
Repair Court Street, Karen Drive and Lost Pond Parkway	386,079	-	(29,698)	356,381	29,698
Multi road improvements	302,363	-	(18,325)	284,038	18,325
Maple Avenue improvement project	992,604	-	(58,389)	934,215	58,389
Claridon and E. King project	684,197	-	(36,010)	648,187	36,010
South Hambden Street project	328,277	-	(16,835)	311,442	16,835
Chardon Avenue and Canfield Drive Improvements	-	468,940	-	468,940	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Ohio Public Works Commission	<u>3,213,055</u>	<u>468,940</u>	<u>(238,874)</u>	<u>3,443,121</u>	<u>238,874</u>
Net pension liability:					
OPERS	3,831,561	-	(1,003,488)	2,828,073	-
OP&F	2,711,805	-	(78,411)	2,633,394	-
Net OPEB liability:					
OPERS	2,866,729	-	(2,866,729)	-	-
OP&F	397,630	11,654	-	409,284	-
Compensated absences	631,855	285,660	(258,952)	658,563	278,020
Total other long-term obligations	<u>13,652,635</u>	<u>766,254</u>	<u>(4,446,454)</u>	<u>9,972,435</u>	<u>516,894</u>
Total governmental long-term liabilities	<u>\$ 17,842,635</u>	<u>\$ 766,254</u>	<u>\$ (4,748,454)</u>	<u>\$ 13,860,435</u>	<u>\$ 830,894</u>

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

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>	<u>Due in</u> <u>One</u> <u>Year</u>
Business-type activities:					
<u>Ohio Water Development Authority loans:</u>					
0.0% Wilson Mills Road					
Sanitary Sewer - 2009	\$ 46,182	\$ -	\$ (7,105)	\$ 39,077	\$ 7,105
2.0% Water treatment plant					
improvements - 2007	2,482,747	-	(310,018)	2,172,729	316,249
3.25% Eastside sanitary trunk sewer					
improvements - 2006	1,106,890	-	(169,939)	936,951	175,506
2.975% Waste water treatment plant					
improvements - 2002	423,586	-	(423,586)	-	-
2.78% SW Sanitary sewer trunk					
Meadowlands Drive - 2014	567,566	-	(30,968)	536,598	31,835
2.14% Railroad Trunk Sewer	3,255,409	-	(150,006)	3,105,403	153,234
1.65% East King Street Water Main	589,930	-	(28,398)	561,532	28,869
Total Ohio Water Development	<u>8,472,310</u>	<u>-</u>	<u>(1,120,020)</u>	<u>7,352,290</u>	<u>712,798</u>
Authority loans					
<u>Other long-term obligations:</u>					
Net pension liability:					
Water fund - OPERS	476,464	-	(124,787)	351,677	-
Sewer fund - OPERS	655,137	-	(171,580)	483,557	-
Net OPEB liability:					
Water fund - OPERS	356,484	-	(356,484)	-	-
Sewer fund - OPERS	490,166	-	(490,166)	-	-
Compensated absences	143,776	15,938	(48,917)	110,797	41,931
Total other long-term obligations	<u>2,122,027</u>	<u>15,938</u>	<u>(1,191,934)</u>	<u>946,031</u>	<u>41,931</u>
Total business-type long-term obligations	<u>\$ 10,594,337</u>	<u>\$ 15,938</u>	<u>\$ (2,311,954)</u>	<u>\$ 8,298,321</u>	<u>\$ 754,729</u>

The Ohio Public Works Commission (“OPWC”) 2002 Park Avenue reconstruction loan relates to construction on City streets. The loan will be repaid in annual installments of \$25,000, maturing in 2022. Principal is paid out of the street construction, maintenance and repair fund.

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.

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

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 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 during the year and will be repaid over twenty years with no interest.

The 2002 Ohio Water Development Authority (“OWDA”) loan relates to a wastewater treatment plant expansion and upgrade project, maturing in 2021. The upgrade portion of the project was mandated by the Ohio Environmental Protection Agency. For this project, approximately two-thirds of the revenue will be generated through a system development charge to all of the new developments in an effort to fund the expansion portion of the project. The remaining one-third of the revenue will be generated by a surcharge to the existing users that will be used for the upgrade portion of the project. During the year the final principal payment in the amount of \$423,586 was made on the loan. Principal and interest is paid out of the sewer fund.

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 \$169,939 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 \$310,018 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.

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

The 2014 OWDA loan is for the Meadowland Drive SW sanitary trunk sewer improvements, maturing in 2035. During the year a principal payment of \$30,968 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 \$150,006 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 \$28,398 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.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2021, are as follows:

Year	Governmental Activities				
	General Obligation Bonds		OPWC Loans	Totals	
	Principal	Interest	Principal*	Principal	Interest
2022	\$ 314,000	\$ 55,210	\$ 238,874	\$ 552,874	\$ 55,210
2023	322,000	50,751	213,874	535,874	50,751
2024	326,000	46,178	213,874	539,874	46,178
2025	334,000	41,549	213,874	547,874	41,549
2026	342,000	36,806	213,874	555,874	36,806
2027-2031	1,850,000	108,460	924,806	2,774,806	108,460
2032-2037	400,000	5,680	720,503	1,120,503	5,680
2038-2040	-	-	234,502	234,502	-
	<u>\$ 3,888,000</u>	<u>\$ 344,634</u>	<u>\$ 2,974,181</u>	<u>\$ 6,862,181</u>	<u>\$ 344,634</u>

* Amortization does not include draw on Chardon Avenue and Canfield Drive Improvements loan in 2021.

Year	Principal	Interest
2022	\$ 712,797	\$ 160,402
2023	729,571	143,629
2024	746,764	126,436
2025	764,388	108,812
2026	782,454	90,745
2027-2031	1,775,096	282,759
2032-2036	1,340,450	130,125
2037-2038	500,771	13,006
	<u>\$ 7,352,291</u>	<u>\$ 1,055,914</u>

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net pension liability

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

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability 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 this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

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

Ohio Public Employees Retirement System

Plan Description – The City employees, other than full-time police and firefighters, participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; the following disclosure focuses on the traditional plan.

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 <u>after January 7, 2013</u>	20 years of service credit prior to January 7, 2013 or eligible to retire <u>ten years after January 7, 2013</u>	Members not in other Groups and members hired on or after <u>January 7, 2013</u>
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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member’s base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

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

	<u>State and Local</u>
2021 Statutory maximum contribution rates	
Employer	14.00%
Employee	10.00%
2021 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 \$502,744 for 2021. Of this amount, \$19,072 is reported as accrued pension.

Ohio Police and Fire Pension Fund

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

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Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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 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 OPF Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

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

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

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

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

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	<u>Police</u>	<u>Firefighters</u>
2021 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2021 Actual contribution rates		
Employer:		
Pension	19.00%	23.50%
Post-employment health care benefits	<u>0.50%</u>	<u>0.50%</u>
Total employer	<u>19.50%</u>	<u>24.00%</u>
Employee	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 \$167,921 for 2021. Of this amount \$5,640 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, 2020, 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, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.0251100%	0.0402552%	
Proportion of the net pension liability - current measurement date	<u>0.0247390%</u>	<u>0.0386293%</u>	
Change in proportionate share	<u>-0.0003710%</u>	<u>-0.0016259%</u>	
Proportionate share of the net pension liability	\$ 3,663,307	\$ 2,633,394	\$ 6,296,701
Pension expense	\$ (28,114)	\$ 197,145	\$ 169,031

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

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 110,085	\$ 110,085
Changes of assumptions	-	44,163	44,163
Changes in proportion and differences between City contributions and proportionate share of contributions	-	104,564	104,564
City contributions subsequent to the measurement date	<u>502,744</u>	<u>167,921</u>	<u>670,665</u>
Total deferred outflows of resources	<u>\$ 502,744</u>	<u>\$ 426,733</u>	<u>\$ 929,477</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 153,239	\$ 102,589	\$ 255,828
Net difference between projected and actual earnings on pension plan investments	1,427,850	127,737	1,555,587
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>100,581</u>	<u>128,501</u>	<u>229,082</u>
Total deferred inflows of resources	<u>\$ 1,681,670</u>	<u>\$ 358,827</u>	<u>\$ 2,040,497</u>

\$670,665 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year ending December 31:			
2022	\$ (686,140)	\$ 843	\$ (685,297)
2023	(218,752)	55,363	(163,389)
2024	(582,040)	(122,214)	(704,254)
2025	(194,738)	(28,309)	(223,047)
2026	<u>-</u>	<u>(5,698)</u>	<u>(5,698)</u>
Total	<u>\$ (1,681,670)</u>	<u>\$ (100,015)</u>	<u>\$ (1,781,685)</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.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Future salary increases, including inflation - Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	3.25 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 1.4 percent, simple through 2020, then 2.15 percent, simple
Investment rate of return	7.2 percent
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term 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.

During 2020, 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 11.7% for 2020.

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 table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

City of Chardon, Ohio
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<u>Asset class</u>	<u>Target allocation</u>	Weighted average long-term expected real rate of return <u>(arithmetic)</u>
Fixed income	25.00%	1.32%
Domestic equities	21.00%	5.64%
Real estate	10.00%	5.39%
Private equity	12.00%	10.42%
International equities	23.00%	7.36%
Other investments	<u>9.00%</u>	<u>4.75%</u>
Total	<u>100.00%</u>	<u>5.43%</u>

Discount Rate The discount rate used to measure the total pension liability was 7.2%. 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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease <u>(6.20%)</u>	Current discount rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
City's proportionate share of the net pension liability	\$ 6,987,778	\$ 3,663,307	\$ 899,015

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2020 is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2020, are presented below:

Valuation date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial cost method	Entry age normal
Investment rate of return	8.00 percent
Projected salary increases	3.75 percent to 10.5 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

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

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

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

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

The most recent experience study was completed December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020 are summarized below:

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Asset class	Target Allocation	Long-term expected real rate of return**
Cash and cash equivalents	0.00%	0.00%
Domestic equity	21.00%	4.10%
Non-US equity	14.00%	4.80%
Private markets	8.00%	6.40%
Core fixed income *	23.00%	0.90%
High yield	7.00%	3.00%
Private credit	5.00%	4.50%
U.S. inflation linked bonds*	17.00%	0.70%
Master limited partnerships	5.00%	5.60%
Real Assets	8.00%	5.80%
Gold	5.00%	1.90%
Real estate	<u>12.00%</u>	5.30%
Total	<u>125.00%</u>	

Note: Assumptions are geometric
 * Levered 2x.
 **numbers include inflation

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 3,666,022	\$ 2,633,394	\$ 1,769,189

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NOTE 11 - POSTEMPLOYMENT BENEFITS

Net OPEB liability and asset

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

The net OPEB liability or asset represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability or 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.

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 OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability or asset. Resulting adjustments to the net OPEB liability or asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net OPEB liability or asset on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

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.

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OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2021.

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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.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

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The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$4,419 for 2020. Of this amount, \$148 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 or asset and total OPEB liability or asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability or asset was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability or asset - prior measurement date	0.0268840%	0.0402552%	
Proportion of the net OPEB liability or asset - current measurement date	<u>0.0251190%</u>	<u>0.0386293%</u>	
Change in proportionate share	<u>-0.0017650%</u>	<u>-0.0016259%</u>	
Proportionate share of the net			
OPEB asset	\$ (447,515)	\$ -	\$ (447,515)
OPEB liability	\$ -	\$ 409,284	\$ 409,284
OPEB expense	\$ 2,758,099	\$ 43,739	\$ 2,801,838

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes of assumptions	220,004	226,107	446,111
Changes in proportionate share and differences between City contributions and proportionate share of contributions	17,343	67,829	85,172
City contributions subsequent to the measurement date	-	4,419	4,419
Total deferred outflows of resources	<u>\$ 237,347</u>	<u>\$ 298,355</u>	<u>\$ 535,702</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 403,880	\$ 67,510	\$ 471,390
Net difference between projected and actual earnings on OPEB plan investments	238,353	15,210	253,563
Changes of assumptions	725,109	65,247	790,356
Changes in proportionate share and differences between City contributions and proportionate share of contributions	148,842	45,757	194,599
Total deferred inflows of resources	<u>\$ 1,516,184</u>	<u>\$ 193,724</u>	<u>\$ 1,709,908</u>

\$4,419 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year ending December 31:			
2022	\$ (672,744)	\$ 21,554	\$ (651,190)
2023	(474,429)	25,155	(449,274)
2024	(103,578)	19,477	(84,101)
2025	(28,086)	23,037	(5,049)
2026	-	6,985	6,985
Thereafter	-	4,004	4,004
Total	<u>\$ (1,278,837)</u>	<u>\$ 100,212</u>	<u>\$ (1,178,625)</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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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 or asset was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	6.00 percent
Prior measurement date	3.16 percent
Investment rate of return	6.00 percent
Municipal bond rate	2.75 percent
Health care cost trend rate	8.50 percent, initial 3.50 percent, ultimate in 2035
Actuarial cost method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.5 percent for 2020.

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	34.00%	1.07%
Domestic equities	25.00%	5.64%
Real estate investment trust	7.00%	6.48%
International equities	25.00%	7.36%
Other investments	<u>9.00%</u>	<u>4.02%</u>
Total	<u>100.00%</u>	<u>4.43%</u>

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, 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 or asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability or asset calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Current discount rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Proportionate share of the net OPEB liability/(asset)	\$ (111,277)	\$ (447,515)	\$ (723,930)

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

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability 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.

	<u>1% Decrease</u>	Current health care cost trend rate <u>assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	(\$458,422)	(\$447,515)	(\$435,312)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

Valuation date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial cost method	Entry age normal
Investment rate of return	8.0 percent
Projected salary increases	3.75 percent to 10.5 percent
Payroll growth	3.25 percent
Single discount rate:	
Current measurement date	2.96 percent
Prior measurement date	3.56 percent
Cost of living adjustments	2.20 percent simple

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

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

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

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

The most recent experience study was completed for the five-year period ended December 31, 2016.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

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

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

	1% Decrease <u>(1.96%)</u>	Current discount rate <u>(2.96%)</u>	1% Increase <u>(3.96%)</u>
City's proportionate share of the net OPEB liability	\$ 510,353	\$ 409,284	\$ 325,913

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 12 - 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, 2021, 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, 2021

NOTE 13 - INTERFUND TRANSFERS

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

Transfer to	Transfer from					Total
	General	General Capital Improvement	Nonmajor governmental funds	Water	Sewer	
General	\$ -	\$ -	\$ -	\$ 18,722	\$ 24,392	\$ 43,114
General obligation debt service	316,000	-	-	-	-	316,000
General capital improvements	565,500	-	-	-	-	565,500
Nonmajor governmental funds	591,000	-	-	-	-	591,000
Enterprise fund:						
Sewer fund	-	21,900	46,540	-	-	68,440
Total transfers	<u>\$ 1,472,500</u>	<u>\$ 21,900</u>	<u>\$ 46,540</u>	<u>\$ 18,722</u>	<u>\$ 24,392</u>	<u>\$ 1,584,054</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 transfers above, in business-type activities the sewer fund transferred capital assets to the water fund with a book value of \$11,296.

NOTE 14 – ENCUMBRANCES

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	<u>Encumbrances</u>
General fund:	
General government	\$ 205,247
Security of persons and property	71,443
Community and economic development	2,810
Transportation	<u>42,692</u>
Total general fund	<u>\$ 322,192</u>
General capital improvement fund	382,621
Nonmajor governmental funds	<u>301,577</u>
Total encumbrances	<u>\$ 1,006,390</u>

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

NOTE 15 – 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 112 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 2021. 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 2021, the City paid RITA \$121,486 for income tax collection services.

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

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 \$10,000 to VERCOG in 2021. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

NOTE 16 – 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.

One major property currently falls within the CRA, beginning in tax year 2016. The improvement value of this property was \$8,898,200 in tax year 2021. The amount of property tax and special assessments abated was \$38,088 in tax year 2021. In addition, the City has two other properties that fall within the CRA, which began in tax years 2016 and 2020, respectively. The improvement value of these three properties was \$658,700 and \$1,248,100 in tax year 2021, respectively.

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 2020 and as a result, the City paid \$39,652 in 2021 to the School District.

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

NOTE 17 – CORONAVIRUS 2019 (COVID-19)

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 18 – ASSET RETIREMENT OBLIGATION

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. An example of a tangible capital asset is a wastewater treatment plant.

Ohio Revised Code Section 6111.44 requires the City to submit any changes to its wastewater treatment plant to the Ohio EPA for approval. Through this process, the City would be responsible for addressing public safety issues and following the specified procedures required to implement any changes, such as disposing all or a part of the wastewater treatment plant. However, at this time, the City has no intention of disposing all or a part of the wastewater treatment plant and does not have an approved permit from the Ohio EPA to implement the disposition. Coupled with the lack of specific legal requirements for retiring the wastewater treatment plant, the City has determined that the amount of the ARO cannot be reasonably estimated.”

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Required Supplementary Information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ohio Public Employees Retirement System - Traditional Plan				
City's proportion of the net pension liability	0.024739%	0.025110%	0.026162%	0.025633%
City's proportionate share of the net pension liability	\$ 3,663,307	\$ 4,963,162	\$ 7,165,241	\$ 4,021,321
City's covered payroll	\$ 3,484,357	\$ 3,532,964	\$ 3,556,464	\$ 3,396,492
City's proportionate share of the net pension liability as a percentage of its covered payroll	105.14%	140.48%	201.47%	118.40%
Plan fiduciary net position as a percentage of total pension liability	86.88%	84.17%	74.70%	84.66%

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ohio Police and Fire Pension Fund				
City's proportion of the net pension liability	0.038629%	0.040255%	0.039229%	0.037125%
City's proportionate share of the net pension liability	\$ 2,633,394	\$ 2,711,805	\$ 3,202,123	\$ 2,278,517
City's covered payroll	\$ 1,059,089	\$ 1,089,595	\$ 990,411	\$ 897,611
City's proportionate share of the net pension liability as a percentage of its covered payroll	248.65%	248.88%	323.31%	253.84%
Plan fiduciary net position as a percentage of total pension liability	70.65%	69.89%	63.07%	70.91%

See notes to required supplementary information.

(1) Information prior to 2014 is not available and the amounts presented are as of the City's measurement date which is the prior year end.

(2) Restated during 2015.

2017	2016	2015	2014
0.025096%	0.024608%	0.025643%	0.025643%
\$ 5,698,875	\$ 4,262,416	\$ 3,092,832	\$ 3,022,976
\$ 3,011,558	\$ 2,685,283	\$ 2,666,075	\$ 2,722,900
189.23%	158.73%	116.01%	111.02%
77.25%	81.08%	86.45%	86.36%

2017	2016	2015	2014
0.038622%	0.037690%	0.040698%	0.040698%
\$ 2,446,259	\$ 2,424,641	\$ 2,108,305	\$ 1,982,101
\$ 902,832	\$ 883,500	\$ 806,557	\$ 809,900
270.95%	274.44%	261.40%	244.73%
68.36%	66.77%	71.71%	73.00% (2)

City of Chardon, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Nine Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees Retirement System - Traditional Plan					
Contractually required contribution	\$ 502,744	\$ 487,810	\$ 494,615	\$ 497,905	\$ 441,544
Contributions in relation to contractually required contribution	<u>(502,744)</u>	<u>(487,810)</u>	<u>(494,615)</u>	<u>(497,905)</u>	<u>(441,544)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 3,591,029	\$ 3,484,357	\$ 3,532,964	\$ 3,556,464	\$ 3,396,492
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Police and Fire Pension Fund					
Contractually required contribution	\$ 167,921	\$ 201,227	\$ 207,023	\$ 188,178	\$ 170,546
Contributions in relation to contractually required contribution	<u>(167,921)</u>	<u>(201,227)</u>	<u>(207,023)</u>	<u>(188,178)</u>	<u>(170,546)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 883,795	\$ 1,059,089	\$ 1,089,595	\$ 990,411	\$ 897,611
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	19.00%

See notes to required supplementary information.

(1) Information prior to 2013 is not available.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 361,387	\$ 322,234	\$ 319,929	\$ 353,977
<u>(361,387)</u>	<u>(322,234)</u>	<u>(319,929)</u>	<u>(353,977)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,011,558	\$ 2,685,283	\$ 2,666,075	\$ 2,722,900
12.00%	12.00%	12.00%	13.00%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 171,538	\$ 167,865	\$ 164,215	\$ 138,331
<u>(171,538)</u>	<u>(167,865)</u>	<u>(164,215)</u>	<u>(138,331)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 902,832	\$ 883,500	\$ 806,557	\$ 809,900
19.00%	19.00%	20.36%	17.08%

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

	2021	2020	2019	2018
Ohio Public Employees Retirement System - Traditional Plan				
City's proportion of the net OPEB liability or asset	0.025119%	0.026884%	0.026343%	0.025749%
City's proportionate share of the net OPEB liability (asset)	\$ (447,515)	\$ 3,713,379	\$ 3,434,505	\$ 2,796,152
City's covered payroll	\$ 3,484,357	\$ 3,532,964	\$ 3,556,464	\$ 3,652,100
City's proportionate share of the net OPEB liability or asset as a percentage of its covered payroll	12.84%	105.11%	96.57%	76.56%
Plan fiduciary net position as a percentage of total OPEB liability or asset	115.57%	47.80%	46.33%	54.14%

	2021	2020	2019	2018
Ohio Police and Fire Pension Fund				
City's proportion of the net OPEB liability	0.038629%	0.040255%	0.039229%	0.037125%
City's proportionate share of the net OPEB liability	\$ 409,284	\$ 397,630	\$ 357,240	\$ 2,103,439
City's covered payroll	\$ 1,059,000	\$ 66,200	\$ 990,400	\$ 897,600
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.65%	600.65%	36.07%	234.34%
Plan fiduciary net position as a percentage of total OPEB liability	45.42%	47.10%	46.57%	14.13%

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.

2017 (2)

0.025126%

\$ 2,537,811

\$ 3,501,800

72.47%

54.05%

2017 (2)

0.038622%

\$ 1,833,279

\$ 902,800

203.07%

15.96%

City of Chardon, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Nine Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ohio Public Employees Retirement System						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 36,521	\$ 70,036
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,521)</u>	<u>(70,036)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 3,591,029	\$ 3,484,357	\$ 3,532,964	\$ 3,556,464	\$ 3,652,100	\$ 3,501,800
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ohio Police and Fire Pension Fund						
Contractually required contribution	\$ 4,419	\$ 5,295	\$ 331	\$ 4,952	\$ 4,488	\$ 4,514
Contributions in relation to contractually required contribution	<u>(4,419)</u>	<u>(5,295)</u>	<u>(331)</u>	<u>(4,952)</u>	<u>(4,488)</u>	<u>(4,514)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 883,800	\$ 1,059,000	\$ 66,200	\$ 990,400	\$ 897,600	\$ 902,800
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.

(1) Information prior to 2013 is not available.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 66,303	\$ 74,405	\$ 32,952
<u>(66,303)</u>	<u>(74,405)</u>	<u>(32,952)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,315,150	\$ 3,720,250	\$ 3,295,200
2.00%	2.00%	1.00%

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 4,418	\$ 4,321	\$ 33,154
<u>(4,418)</u>	<u>(4,321)</u>	<u>(33,154)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 883,600	\$ 864,200	\$ 879,416
0.50%	0.50%	3.77%

City of Chardon, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2021

Pension

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

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 2021. 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 significant changes in benefit terms during 2021.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for 2021. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OPEB

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 2021. 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 significant changes in benefit terms during 2021.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2021. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO AUDITOR OF STATE KEITH FABER



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(800) 282-0370

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To 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, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

October 26, 2022

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 11/10/2022

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

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