



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF CHEVIOT
HAMILTON COUNTY
DECEMBER 31, 2021 AND 2020**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

City of Cheviot
Hamilton County
3814 Harrison Avenue
Cheviot, Ohio 45211

To the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio (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, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio as of December 31, 2021, and the respective changes in financial position thereof and the budgetary comparison for the General and American Rescue Plan Act (ARPA) Funds for the years 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.

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 March 10, 2023, 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
March 10, 2023

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CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

The discussion and analysis of the City of Cheviot's 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 should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 are as follows:

- ❑ Net position of governmental activities increased \$1,749,641, or 47% from the prior year.
- ❑ General revenues accounted for \$4,866,561 in revenue or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,436,008, or 33% of total revenues of \$7,302,569.
- ❑ The City had \$5,552,928 in expenses related to governmental activities; only \$2,436,008 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,866,561 were adequate to provide for these programs.
- ❑ The City's general fund had \$5,360,905 in revenues and \$4,973,333 in expenditures. The general fund's fund balance increased from \$1,390,607 to \$1,538,175.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF CHEVIOT, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2021*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are comprised of:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare, leisure time activities, community environment, public works, transportation and general government.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Unaudited

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 of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2021 compared to 2020.

	Governmental	
	Activities	
	2021	2020
Current and Other Assets	\$6,984,758	\$5,705,639
Net OPEB Asset	121,486	0
Capital assets, Net	8,248,118	7,842,157
Total Assets	15,354,362	13,547,796
Deferred Outflows of Resources	1,623,903	1,749,904
Net Pension Liability	5,612,415	5,843,677
Net OPEB Liability	707,205	1,601,256
Other Long-Term Liabilities	944,482	821,011
Other Liabilities	735,994	243,395
Total Liabilities	8,000,096	8,509,339
Deferred Inflows of Resources	3,486,873	3,046,706
Net Position		
Net Investment in Capital Assets	7,908,091	7,525,208
Restricted	2,137,306	1,753,528
Unrestricted	(4,554,101)	(5,537,081)
Total Net Position	\$5,491,296	\$3,741,655

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability (NOL) is reported by the City pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Unaudited

Change in Net Position – The following table shows the change in net position for 2021 compared to 2020:

	Governmental Activities	
	2021	2020
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,163,474	\$859,312
Operating Grants and Contributions	568,557	1,156,729
Capital Grants and Contributions	703,977	356,000
Total Program Revenues	2,436,008	2,372,041
General revenues:		
Property Taxes	1,903,672	1,825,147
Municipal Income Taxes	2,530,457	2,345,730
Other Local Taxes	59,334	60,752
Intergovernmental Revenues, Unrestricted	345,481	315,488
Miscellaneous	27,617	449,751
Total General Revenues	4,866,561	4,996,868
Total Revenues	7,302,569	7,368,909
Program Expenses		
Security of Persons and Property	3,245,254	3,326,148
Public Health and Welfare Services	23,512	22,779
Leisure Time Activities	150,742	90,418
Community Environment	7,200	7,410
Public Works	443,082	434,054
Transportation	986,281	828,743
General Government	680,237	1,913,803
Interest and Fiscal Charges	16,620	18,389
Total Expenses	5,552,928	6,641,744
Change in Net Position	1,749,641	727,165
Beginning Net Position	3,741,655	3,014,490
Ending Net Position	\$5,491,296	\$3,741,655

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Unaudited

Governmental Activities

Governmental activities net position increased \$1,749,641. A decrease in pool memberships and pool concessions in the prior year due to the Covid-19 pandemic resulted in a subsequent increase in charges for services revenue in 2021. Also contributing to the increase in charges for services was an increase in charges for medic transports. A decrease in operating grants can be attributed to Coronavirus Relief Funding received in the prior year.

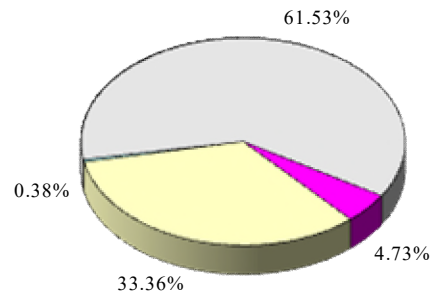
Capital grants consisted of Ohio Public Works Commission grants for improvements to Alma, Davis, Delmar, and Olivette Avenues. An increase in miscellaneous revenue in the prior year due to refunds received from the Ohio Bureau of Workers' Compensation resulted in a subsequent decrease in miscellaneous revenue in 2021.

An overall decrease in expenses can be attributed to changes in the Net Pension and OPEB liabilities.

The City receives an income tax, which is based on 2.0% of all salaries, wages, commissions and other compensation and on net profits earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City.

Income taxes and property taxes made up 35% and 26% respectively, of revenues for governmental activities in 2021. The City's reliance upon tax revenues is demonstrated by the following graph indicating 62% of total revenues from general tax revenues:

Revenue Sources	2021	Percent of Total
General Tax Revenues	\$4,493,463	61.53%
Intergovernmental, Unrestricted	345,481	4.73%
Program Revenues	2,436,008	33.36%
General Other	27,617	0.38%
Total Revenue	<u>\$7,302,569</u>	<u>100.00%</u>



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$3,542,952, which is an increase from last year's balance of \$2,984,102. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2021 and 2020:

	Fund Balance December 31, 2021	Fund Balance December 31, 2020	Increase (Decrease)
General	\$1,538,175	\$1,390,607	\$147,568
ARPA	0	0	0
3 Mill Project	1,368,614	1,130,105	238,509
Alma, Davis, Delmar, Olivette Avenue Construction	0	0	0
Other Governmental	<u>636,163</u>	<u>463,390</u>	<u>172,773</u>
Total	<u>\$3,542,952</u>	<u>\$2,984,102</u>	<u>\$558,850</u>

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Unaudited

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2021 <u>Revenues</u>	2020 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$1,561,006	\$1,491,426	\$69,580
Municipal Income Taxes	2,437,732	2,286,746	150,986
Other Local Taxes	59,334	60,752	(1,418)
Intergovernmental Revenues	334,945	369,359	(34,414)
Charges for Services	772,723	697,367	75,356
Rental Revenue	70,756	62,240	8,516
Licenses, Permits and Fees	21,120	24,412	(3,292)
Investment Earnings	0	1	(1)
Fines and Forfeitures	85,945	59,727	26,218
All Other Revenue	17,344	422,926	(405,582)
Total	<u>\$5,360,905</u>	<u>\$5,474,956</u>	<u>(\$114,051)</u>

General Fund revenues decreased \$114,051, or 2%, which can be attributed to a decrease in all other revenue. An increase in all other revenue in the prior year due to refunds received from the Ohio Bureau of Workers' Compensation resulted in a subsequent decrease in 2021.

	2021 <u>Expenditures</u>	2020 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Security of Persons and Property	\$2,959,715	\$2,594,435	\$365,280
Public Health and Welfare Services	7,238	7,238	0
Leisure Time Activities	68,537	67,976	561
Public Works	399,653	398,691	962
Transportation	3,760	0	3,760
General Government	1,534,430	1,619,861	(85,431)
Total	<u>\$4,973,333</u>	<u>\$4,688,201</u>	<u>\$285,132</u>

General Fund expenditures increased \$285,132, or 6% when compared with the previous year. This change can mostly be attributed to an increase in security of persons and property, due to public safety expenditures being funded from the Coronavirus Relief Fund in the prior year.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2021 the City amended its General Fund budget several times.

For the General Fund, original and final estimated revenues were not significantly different. Actual budget basis revenues were approximately 16% greater than final estimates, which can be attributed to an increase in property and income tax collections. Original, final, and actual budget basis expenditures were not significantly different.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021 the City had \$8,248,118 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, furniture and equipment. The following table shows 2021 and 2020 balances:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2021</u>	<u>2020</u>	
Land	\$275,950	\$275,950	\$0
Construction in Progress	0	51,900	(51,900)
Land Improvements	583,345	576,352	6,993
Buildings and Improvements	2,418,001	2,418,001	0
Furniture and Equipment	5,687,488	5,623,894	63,594
Infrastructure	8,477,686	7,439,757	1,037,929
Less: Accumulated Depreciation	(9,194,352)	(8,543,697)	(650,655)
Totals	<u>\$8,248,118</u>	<u>\$7,842,157</u>	<u>\$405,961</u>

Governmental activities capital asset additions included police and fire equipment as well as improvements to Alma, Davis, Delmar, and Olivette Avenues.

Additional information on the City's capital assets can be found in Note 8.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

Debt and Other Long Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Governmental Activities:		
General Obligation Bonds	\$250,000	\$319,000
Installment Loan	139,131	0
OPWC Loans	340,027	157,956
Capital Leases	0	124,993
Compensated Absences	215,324	219,062
Total Governmental Activities	<u>\$944,482</u>	<u>\$821,011</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2021, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or the need for additional financial information can be directed to the Auditor's Office of the City of Cheviot.

CITY OF CHEVIOT, OHIO

Statement of Net Position *December 31, 2021*

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 3,441,318
Receivables:	
Property Taxes	1,959,426
Income Taxes	617,360
Other Local Taxes	15,350
Accounts	230,167
Intergovernmental Receivable	603,161
Special Assessments	8,408
Inventory of Supplies at Cost	87,310
Prepaid Items	22,258
Net OPEB Asset	121,486
Non-Depreciable Capital Assets	275,950
Depreciable Capital Assets, Net	7,972,168
Total Assets	15,354,362
Deferred Outflows of Resources:	
Pension	1,101,481
OPEB	522,422
Total Deferred Outflows of Resources	1,623,903
Liabilities:	
Accounts Payable	89,833
Accrued Wages and Benefits	164,736
Intergovernmental Payable	81,062
Unearned Revenue	395,920
Accrued Interest Payable	4,443
Noncurrent Liabilities:	
Due Within One Year	105,554
Due in More Than One Year:	
Net Pension Liability	5,612,415
Net OPEB Liability	707,205
Other Amounts Due in More Than One Year	838,928
Total Liabilities	8,000,096

(Continued)

CITY OF CHEVIOT, OHIO

	Governmental Activities
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	1,820,862
Pension	962,623
OPEB	703,388
Total Deferred Inflows of Resources	<u>3,486,873</u>
Net Position:	
Net Investment in Capital Assets	7,908,091
Restricted For:	
Capital Projects	1,544,614
Other Purposes	592,692
Unrestricted (Deficit)	(4,554,101)
Total Net Position	<u>\$ 5,491,296</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Activities
For the Year Ended December 31, 2021

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,245,254	\$ 376,197	\$ 0	\$ 0
Public Health and Welfare Services	23,512	0	743	0
Leisure Time Activities	150,742	123,466	0	0
Community Environment	7,200	0	0	0
Public Works	443,082	508,496	0	0
Transportation	986,281	30,833	528,870	703,977
General Government	680,237	124,482	38,944	0
Interest and Fiscal Charges	16,620	0	0	0
Total Governmental Activities	\$ 5,552,928	\$ 1,163,474	\$ 568,557	\$ 703,977

General Revenues

Property Taxes Levied for:

 General Purposes

 Capital Outlay

Municipal Income Taxes

Other Local Taxes

Intergovernmental, Unrestricted

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities

\$	(2,869,057)
	(22,769)
	(27,276)
	(7,200)
	65,414
	277,399
	(516,811)
	(16,620)
\$	(3,116,920)

1,570,710

332,962

2,530,457

59,334

345,481

27,617

4,866,561

1,749,641

3,741,655

\$ 5,491,296

CITY OF CHEVIOT, OHIO

Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	ARPA Fund	3 Mill Project Fund	Alma, Davis, Delmar, Olivette Avenue Construction Fund
Assets:				
Cash and Cash Equivalents	\$ 1,282,805	\$ 421,951	\$ 1,210,414	\$ 0
Receivables:				
Property Taxes	1,624,112	0	335,314	0
Income Taxes	617,360	0	0	0
Other Local Taxes	15,350	0	0	0
Accounts	230,167	0	0	0
Intergovernmental	192,046	0	162,435	0
Special Assessments	102	0	0	0
Inventory of Supplies, at Cost	34,319	0	0	0
Prepaid Items	22,258	0	0	0
Total Assets	\$ 4,018,519	\$ 421,951	\$ 1,708,163	\$ 0
Liabilities:				
Accounts Payable	\$ 55,097	\$ 30,944	\$ 0	\$ 0
Accrued Wages and Benefits Payable	142,737	0	0	0
Intergovernmental Payable	79,735	0	0	0
Unearned Revenue	4,913	391,007	0	0
Total Liabilities	282,482	421,951	0	0
Deferred Inflows of Resources:				
Unavailable Amounts	687,680	0	28,869	0
Property Tax Levy for Next Fiscal Year	1,510,182	0	310,680	0
Total Deferred Inflows of Resources	2,197,862	0	339,549	0
Fund Balance:				
Nonspendable	60,401	0	0	0
Restricted	0	0	1,368,614	0
Committed	0	0	0	0
Assigned	1,187,336	0	0	0
Unassigned	290,438	0	0	0
Total Fund Balance	1,538,175	0	1,368,614	0
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,018,519	\$ 421,951	\$ 1,708,163	\$ 0

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 526,148	\$ 3,441,318
0	1,959,426
0	617,360
0	15,350
0	230,167
248,680	603,161
8,306	8,408
52,991	87,310
0	22,258
<u>\$ 836,125</u>	<u>\$ 6,984,758</u>
\$ 3,792	\$ 89,833
21,999	164,736
1,327	81,062
0	395,920
<u>27,118</u>	<u>731,551</u>
172,844	889,393
0	1,820,862
<u>172,844</u>	<u>2,710,255</u>
52,991	113,392
518,672	1,887,286
64,500	64,500
0	1,187,336
0	290,438
<u>636,163</u>	<u>3,542,952</u>
<u>\$ 836,125</u>	<u>\$ 6,984,758</u>

CITY OF CHEVIOT, OHIO

Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities December 31, 2021

Total Governmental Fund Balances \$ 3,542,952

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 8,248,118

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 889,393

The net pension/OPEB liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - Pension	1,101,481	
Deferred Inflows - Pension	(962,623)	
Net Pension Liability	(5,612,415)	
Net OPEB Asset	121,486	
Deferred Outflows - OPEB	522,422	
Deferred Inflows - OPEB	(703,388)	
Net OPEB Liability	(707,205)	(6,240,242)

Long-term liabilities, including bonds payable and compensated absences
are not due and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds Payable	(250,000)	
OPWC Loan Payable	(340,027)	
Installment Loan Payable	(139,131)	
Compensated Absences Payable	(215,324)	
Accrued Interest Payable	(4,443)	(948,925)

Net Position of Governmental Activities **\$ 5,491,296**

See accompanying notes to the basic financial statements

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CITY OF CHEVIOT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2021

	General Fund	ARPA Fund	3 Mill Project Fund	Alma, Davis, Delmar, Olivette Avenue Construction Fund
Revenues:				
Property Taxes	\$ 1,561,006	\$ 0	\$ 331,490	\$ 0
Municipal Income Taxes	2,437,732	0	0	0
Other Local Taxes	59,334	0	0	0
Intergovernmental Revenues	334,945	38,944	166,358	545,777
Charges for Services	772,723	0	0	0
Rental Revenue	70,756	0	0	0
Licenses, Permits and Fees	21,120	0	0	0
Special Assessments	0	0	0	0
Fines and Forfeitures	85,945	0	0	0
All Other Revenue	17,344	0	0	0
Total Revenue	5,360,905	38,944	497,848	545,777
Expenditures:				
Current:				
Security of Persons and Property	2,959,715	0	0	0
Public Health and Welfare Services	7,238	0	0	0
Leisure Time Activities	68,537	0	0	0
Community Environment	0	0	0	0
Public Works	399,653	0	0	0
Transportation	3,760	0	0	0
General Government	1,534,430	38,944	0	0
Capital Outlay	0	0	256,688	730,499
Debt Service:				
Principal Retirement	0	0	2,651	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	4,973,333	38,944	259,339	730,499
Excess (Deficiency) of Revenues Over (Under) Expenditures	387,572	0	238,509	(184,722)
Other Financing Sources (Uses):				
Sale of Capital Assets	15,500	0	0	0
OPWC Loan Issuance	0	0	0	184,722
Installment Loan Proceeds	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	(267,128)	0	0	0
Total Other Financing Sources (Uses)	(251,628)	0	0	184,722
Net Change in Fund Balance	135,944	0	238,509	0
Fund Balance at Beginning of Year	1,390,607	0	1,130,105	0
Increase in Inventory	11,624	0	0	0
Fund Balance End of Year	\$ 1,538,175	\$ 0	\$ 1,368,614	\$ 0

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 1,892,496
0	2,437,732
0	59,334
528,939	1,614,963
70,127	842,850
0	70,756
0	21,120
30,610	30,610
62,884	148,829
21,678	39,022
<u>714,238</u>	<u>7,157,712</u>
10,650	2,970,365
16,274	23,512
60,295	128,832
7,200	7,200
0	399,653
648,302	652,062
1,326	1,574,700
0	987,187
193,993	196,644
15,482	15,482
<u>953,522</u>	<u>6,955,637</u>
(239,284)	202,075
0	15,500
0	184,722
139,131	139,131
267,128	267,128
0	(267,128)
<u>406,259</u>	<u>339,353</u>
166,975	541,428
463,390	2,984,102
5,798	17,422
<u>\$ 636,163</u>	<u>\$ 3,542,952</u>

CITY OF CHEVIOT, 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 \$ 541,428

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	1,061,109	
Depreciation Expense	(652,003)	409,106

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (3,145)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 144,857

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

Pension	498,828	
OPEB	8,463	507,291

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

Pension	(422,088)	
OPEB	679,379	257,291

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Capital Lease Retirement	124,993	
Installment Loan Issuance	(139,131)	
OPWC Loan Issuance	(184,722)	
OPWC Loan Retirement	2,651	
Bond Principal Retirement	69,000	
Change in Accrued Interest Payable	(1,138)	(128,347)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	3,738	
Change in Inventory	17,422	21,160

Change in Net Position of Governmental Activities **\$ 1,749,641**

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,433,387	\$ 1,433,387	\$ 1,561,006	\$ 127,619
Municipal Income Taxes	1,957,700	1,957,700	2,439,118	481,418
Other Local Taxes	60,000	60,000	59,698	(302)
Intergovernmental Revenues	361,935	361,935	345,414	(16,521)
Charges for Services	685,000	685,000	732,825	47,825
Rental Revenue	36,000	36,000	69,128	33,128
Licenses, Permits and Fees	14,935	14,935	21,120	6,185
Fines and Forfeitures	48,700	48,700	81,192	32,492
All Other Revenues	6,880	6,880	13,229	6,349
Total Revenues	<u>4,604,537</u>	<u>4,604,537</u>	<u>5,322,730</u>	<u>718,193</u>
Expenditures:				
Current:				
Security of Persons and Property	3,030,632	3,063,206	2,968,655	94,551
Public Health and Welfare Services	7,439	7,439	7,238	201
Leisure Time Activities	93,700	93,700	67,068	26,632
Public Works	477,100	429,578	386,720	42,858
Transportation	27,000	27,000	3,760	23,240
General Government	1,606,483	1,659,451	1,552,954	106,497
Total Expenditures	<u>5,242,354</u>	<u>5,280,374</u>	<u>4,986,395</u>	<u>293,979</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(637,817)	(675,837)	336,335	1,012,172
Other Financing Sources (Uses):				
Sale of Capital Assets	15,500	15,500	15,500	0
Transfers In	288,920	288,920	288,000	(920)
Transfers Out	(561,324)	(561,324)	(555,128)	6,196
Total Other Financing Sources (Uses):	<u>(256,904)</u>	<u>(256,904)</u>	<u>(251,628)</u>	<u>5,276</u>
Net Change in Fund Balance	(894,721)	(932,741)	84,707	1,017,448
Fund Balance at Beginning of Year	1,034,491	1,034,491	1,034,491	0
Prior Year Encumbrances	44,761	44,761	44,761	0
Fund Balance at End of Year	<u>\$ 184,531</u>	<u>\$ 146,511</u>	<u>\$ 1,163,959</u>	<u>\$ 1,017,448</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
American Rescue Plan Act (ARPA) Fund
For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 429,951	\$ 429,951	\$ 0
Total Revenues	0	429,951	429,951	0
Expenditures:				
Current:				
General Government	0	429,951	8,000	421,951
Total Expenditures	0	429,951	8,000	421,951
Net Change in Fund Balance	0	0	421,951	421,951
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 421,951	\$ 421,951

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Net Position
Fiduciary Funds
December 31, 2021

	Custodial Funds
Assets:	
Cash and Cash Equivalents	\$ 717,454
Cash and Cash Equivalents in Segregated Accounts	1,735
Receivables:	
Taxes	155,667
Total Assets	874,856
Liabilities:	
Intergovernmental Payable	3
Undistributed Monies	874,853
Total Liabilities	874,856
Net Position:	
Total Net Position	\$ 0

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Custodial Funds
Additions:	
Fines and Forfeiture Collections for other Governments	\$ 17,853
Fee Collections for other Governments	191
Income Tax Collections for other Governments	1,969,851
Total Additions	<u>1,987,895</u>
Deductions:	
Distribution of Fines and Forfeitures to other Governments	17,853
Distribution of Fees to other Governments	191
Distribution of Income Taxes to other Governments	1,969,851
Total Deductions	<u>1,987,895</u>
Change in Net Position	0
Net Position at Beginning of Year	0
Net Position End of Year	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cheviot (the "City") is a non-chartered municipal corporation operating under the laws of the State of Ohio. The community was established in 1818 as part of Green Township, it then became a village on July 1, 1901, before becoming a city on January 1, 1932. The municipal government is known as a Council/Mayor form of government. The Mayor is elected to a four-year term. The President of Council and seven council members (one from each ward and three at-large) are elected to four-year terms. The Mayor appoints a Safety Service Director. The Safety Service Director is the chief executive officer and the head of the administrative agencies of the City. He/she appoints all department heads and employees, except for the Clerk of Council, who is appointed by Council.

The financial statements are presented as of December 31, 2021 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, waste management, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare. A staff provides support (i.e. payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

The financial activity of the Mayor's Court has been included in the City's financial statements as a custodial fund. The Mayor has fiduciary responsibility for the collection and distribution of the courts fees and fines to other governments.

The City participates in one organization which is defined as a jointly governed organization, the Ohio-Kentucky-Indiana Regional Council of Governments. This organization is presented in Note 13.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those 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 general laws of Ohio and the limitations of the City Charter.

American Rescue Plan Act (ARPA) Fund - This fund is used to account for Coronavirus State and Local Fiscal Recovery funds received as part of the American Rescue Plan Act. The funds are to be used to support the response and recovery from the COVID-19 public health emergency.

3 Mill Project Fund - This fund is used to account for property taxes levied to be used for street improvement projects.

Alma, Davis, Delmar, Olivette Avenue Construction Fund - This fund is used to account for grant and loan proceeds used for improvements to Alma, Davis, Delmar, and Olivette Avenues.

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

Fiduciary Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's only fiduciary funds are custodial funds.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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 government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund 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.

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

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, loans and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred inflows of resources. Property taxes measurable as of December 31, 2021 but which are not intended to finance 2021 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government wide statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than custodial funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the major object level within each department and fund. Budgetary modifications may only be made by ordinance or resolution of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

Prior to October 1, the City accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do 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 any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2021.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. The budgetary figures which appear in the Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual Non-GAAP Budgetary Basis for the General Fund and Major Special Revenue Fund is provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

At the close of each fiscal 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 forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on a budgetary basis.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Special Revenue Fund:

	Net Change in Fund Balance	
	General Fund	ARPA Fund
GAAP Basis (as reported)	\$135,944	\$0
Increase (Decrease):		
Accrued Revenues at December 31, 2021 received during 2022	(508,492)	0
Accrued Revenues at December 31, 2020 received during 2021	472,045	0
Accrued Expenditures at December 31, 2021 paid during 2022	229,886	421,951
Accrued Expenditures at December 31, 2020 paid during 2021	(204,376)	0
2020 Prepays for 2021	20,991	0
2021 Prepays for 2022	(22,258)	0
Outstanding Encumbrances	(39,033)	0
Budget Basis	<u>\$84,707</u>	<u>\$421,951</u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. Cash and cash equivalents that are held separately for the Mayor's court account are not held by the City Treasurer and are recorded on the financial statements as "Cash and Cash Equivalents in Segregated Accounts." See Note 4, "Cash, Cash Equivalents and Investments."

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

On the government-wide financial statements inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. 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 funds when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$650.

Governmental activities capital assets are those that generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. The City's infrastructure consists of streets. The City only reports infrastructure assets acquired after 2003 and does not plan to phase in prior years' amounts. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Building Improvements	20 – 45
Furniture and Equipment	5 – 20
Infrastructure	10 - 60

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund
General Obligation Bonds	Ambulance Fund, Energy Efficiency Project Fund
Capital Leases	Automotive Equipment Fund
Ohio Public Works Commission Loans	3 Mill Project Fund

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual of earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

In accordance with GASB Statement No. 16, *"Accounting for Compensated Absences,"* the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected. In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension and OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. 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 systems report investments at fair value.

N. Interfund Activity

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

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. 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 (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2021.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources are reported for pension/OPEB amounts on the government-wide statement of net position. See Notes 9 and 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide statement of net position. See Notes 9 and 10.

R. Fair Market Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period.”

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The implementation of this statement had no effect on beginning of year net position/fund balance.

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned 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 constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	ARPA Fund	3 Mill Project Fund	Alma, Davis, Delmar, Olivette Avenue Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Supplies Inventory	\$34,319	\$0	\$0	\$0	\$52,991	\$87,310
Prepaid Items	22,258	0	0	0	0	22,258
Unclaimed Funds	3,824	0	0	0	0	3,824
Total Nonspendable	60,401	0	0	0	52,991	113,392
Restricted:						
Street Improvements	0	0	0	0	153,477	153,477
Parking Lot Operations	0	0	0	0	12,445	12,445
Sidewalk Maintenance	0	0	0	0	47,519	47,519
Shade Tree Program	0	0	0	0	1,435	1,435
Law Enforcement	0	0	0	0	138,754	138,754
Court Improvements	0	0	0	0	399	399
EMS Program	0	0	0	0	1,529	1,529
Community Environment	0	0	0	0	10,714	10,714
Recycling Program	0	0	0	0	5,269	5,269
Capital Improvements	0	0	1,368,614	0	147,131	1,515,745
Total Restricted	0	0	1,368,614	0	518,672	1,887,286
Committed:						
Swimming Pool Operations	0	0	0	0	1,279	1,279
Debt Service	0	0	0	0	8,221	8,221
Capital Improvements	0	0	0	0	55,000	55,000
Total Committed	0	0	0	0	64,500	64,500
Assigned:						
Other Purposes	1,187,336	0	0	0	0	1,187,336
Unassigned (Deficits):	290,438	0	0	0	0	290,438
Total Fund Balances	\$1,538,175	\$0	\$1,368,614	\$0	\$636,163	\$3,542,952

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City's deposits was \$4,160,507 and the bank balance was \$4,272,866. Federal depository insurance covered \$250,000 of the bank balance and \$4,022,866 was exposed to custodial risk and was collateralized with specific pledged collateral.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2021 were levied after October 1, 2020 on assessed values as of January 1, 2020, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2017. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Cheviot. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2021 was \$20.13 per \$1,000 of assessed value. The assessed value upon which the 2021 tax levy was based was \$126,572,280. This amount constitutes \$116,723,020 in real property assessed value and \$9,849,260 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is 2.013% (20.13 mills) of assessed value.

Real Estate Tax Abatements

The City provides tax incentives under one (1) program, the Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

The City has one business in the CRA program (Family Dollar). The CRA agreement with Family Dollar ended on December 31, 2021. In 2022, City Council accepted the recommendation of the Tax Incentive Review Council to not renew this agreement. 2021 is the last year that taxes were abated for Family Dollar.

Below is the information relevant to the disclosure of this program for the year ending December 31, 2021.

	<u>Total Amount of Taxes Abated For the year 2021</u>
<i>Community Reinvestment Area (CRA)</i>	
Retail	\$8,321
	<u>\$8,321</u>

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 5 - TAXES (Continued)

B. Income Tax

The City levies a tax of two percent on all salaries, wages, and other compensation earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City. The City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. Income tax revenue is accounted for through the General Fund.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2021 consisted of taxes, accounts, special assessments, and intergovernmental receivables arising from shared revenues.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2021:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$0	\$267,128
Other Governmental Funds	<u>267,128</u>	<u>0</u>
Total Governmental Funds	<u><u>\$267,128</u></u>	<u><u>\$267,128</u></u>

Transfers made during the year ended December 31, 2021 consisted of amounts transferred from the General Fund to other funds to provide additional resources for operations and debt service.

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CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2021:

Historical Cost:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
Capital assets not being depreciated:				
Land	\$275,950	\$0	\$0	\$275,950
Construction in Progress	51,900	0	(51,900)	0
Sub-total	327,850	0	(51,900)	275,950
Capital assets being depreciated:				
Land Improvements	576,352	6,993	0	583,345
Buildings and Improvements	2,418,001	0	0	2,418,001
Furniture and Equipment	5,623,894	68,087	(4,493)	5,687,488
Infrastructure	7,439,757	1,037,929	0	8,477,686
Total Cost	<u>\$16,385,854</u>	<u>\$1,113,009</u>	<u>(\$56,393)</u>	<u>\$17,442,470</u>
Accumulated Depreciation:				
Class	December 31, 2020	Additions	Deletions	December 31, 2021
Land Improvements	(\$411,340)	(\$10,953)	\$0	(\$422,293)
Buildings and Improvements	(1,886,026)	(45,252)	0	(1,931,278)
Furniture and Equipment	(4,203,173)	(294,882)	1,348	(4,496,707)
Infrastructure	(2,043,158)	(300,916)	0	(2,344,074)
Total Depreciation	<u>(\$8,543,697)</u>	<u>(\$652,003)*</u>	<u>\$1,348</u>	<u>(\$9,194,352)</u>
Net Value:	<u>\$7,842,157</u>			<u>\$8,248,118</u>

* Depreciation was charged to governmental functions as follows:

Security of Persons and Property	\$195,876
Leisure Time Activities	21,967
Public Works	42,801
Transportation	341,634
General Government	49,725
Total Depreciation Expense	<u>\$652,003</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 – 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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. 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; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, including requirements for reduced and unreduced benefits):

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% 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 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member’s FAS for the first 30 years of service.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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	14.0 %
Employee	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$148,479 for 2021.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of 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 OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving 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 and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Police	Firefighters
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	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$350,349 for 2021.

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. OPF’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:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$1,062,165	\$4,550,250	\$5,612,415
Proportion of the Net Pension Liability-2021	0.007173%	0.066748%	
Proportion of the Net Pension Liability-2020	0.007300%	0.065327%	
Percentage Change	(0.000127%)	0.001421%	
Pension Expense	(\$9,481)	\$431,569	\$422,088

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$0	\$76,307	\$76,307
Differences between expected and actual experience	0	190,216	190,216
Change in proportionate share	0	336,130	336,130
City contributions subsequent to the measurement date	148,479	350,349	498,828
Total Deferred Outflows of Resources	<u>\$148,479</u>	<u>\$953,002</u>	<u>\$1,101,481</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$414,000	\$220,719	\$634,719
Differences between expected and actual experience	44,431	177,262	221,693
Change in proportionate share	0	106,211	106,211
Total Deferred Inflows of Resources	<u>\$458,431</u>	<u>\$504,192</u>	<u>\$962,623</u>

\$498,828 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	(\$174,767)	\$54,381	(\$120,386)
2023	(58,442)	147,776	89,334
2024	(168,762)	(134,812)	(303,574)
2025	(56,460)	13,596	(42,864)
2026	0	17,520	17,520
Total	<u>(\$458,431)</u>	<u>\$98,461</u>	<u>(\$359,970)</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 CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 and December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2020
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	0.5 percent simple through 2021. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2019
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
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 most recent experience study was completed for the five year period ended December 31, 2015.

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.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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	9.00	4.75
Total	100.00 %	5.43 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 percent, 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 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$2,026,086	\$1,062,165	\$260,667

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’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 OPF’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 the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, compared with January 1, 2019, are presented below.

	January 1, 2020	January 1, 2019
Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	2.2 percent simple	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2020 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2020 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

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 OPF’s target asset allocation as of December 31, 2020 are summarized below:

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 Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

* levered 2x

Note: Assumptions are geometric

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’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.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2020, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2019 was 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	\$6,334,532	\$4,550,250	\$3,056,988

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

The net OPEB liability (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 (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 (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. Resulting adjustments to the net OPEB liability 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* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. 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. Beginning in 2018, health care is not being funded.

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.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

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.

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.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution 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 and is limited by the provisions of Sections 115 and 401(h).

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 \$8,463 for 2021.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 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 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>
Proportionate Share of the Net OPEB Liability (Asset)	(\$121,486)	\$707,205	\$585,719
Proportion of the Net OPEB Liability (Asset) -2021	0.006819%	0.066748%	
Proportion of the Net OPEB Liability-2020	<u>0.006921%</u>	<u>0.065327%</u>	
Percentage Change	<u>(0.000102%)</u>	<u>0.001421%</u>	
OPEB Expense	(\$752,211)	\$72,832	(\$679,379)

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$59,724	\$390,691	\$450,415
Change in proportionate share	0	63,544	63,544
City contributions subsequent to the measurement date	<u>0</u>	<u>8,463</u>	<u>8,463</u>
Total Deferred Outflows of Resources	<u>\$59,724</u>	<u>\$462,698</u>	<u>\$522,422</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$64,707	\$26,276	\$90,983
Differences between expected and actual experience	109,640	116,654	226,294
Changes in assumptions	196,843	112,744	309,587
Change in proportionate share	<u>0</u>	<u>76,524</u>	<u>76,524</u>
Total Deferred Inflows of Resources	<u>\$371,190</u>	<u>\$332,198</u>	<u>\$703,388</u>

\$8,463 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 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:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2022	(\$162,619)	\$24,752	(\$137,867)
2023	(113,107)	30,975	(82,132)
2024	(28,118)	21,163	(6,955)
2025	(7,622)	23,181	15,559
2026	0	10,855	10,855
2027	0	8,577	8,577
2028	<u>0</u>	<u>2,534</u>	<u>2,534</u>
Total	<u>(\$311,466)</u>	<u>\$122,037</u>	<u>(\$189,429)</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 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:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent initial, 3.5 percent ultimate in 2035
Prior Measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
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 most recent experience study was completed for the five year period ended December 31, 2015.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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.

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	9.00	4.02
Total	<u>100.00 %</u>	4.43 %

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.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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 (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB liability (asset)	(\$30,208)	(\$121,486)	(\$196,524)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 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.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	(\$124,447)	(\$121,486)	(\$118,173)

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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.

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	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	2.96 percent	3.56 percent
Cost of Living Adjustments	2.2 percent simple	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

<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 Buck 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 prior experience study was completed December 31, 2011.

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

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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 Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

* levered 2x

Note: Assumptions are geometric

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

Discount Rate For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The 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 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$881,841	\$707,205	\$563,146

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.

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 11 - DEBT AND OTHER LONG-TERM OBLIGATIONS

Activity in Debt and Other Long-Term Obligations in 2021 was as follows:

			Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Amount Due Within One Year
	Maturity Date						
Governmental Activities Debt:							
General Obligation Bonds Payable:							
Energy Efficiency Improvements	3.375%	2027	\$285,000	\$0	(\$35,000)	\$250,000	\$35,000
Ambulance	3.500%	2023	34,000	0	(34,000)	0	0
Total General Obligation Bonds Payable			<u>319,000</u>	<u>0</u>	<u>(69,000)</u>	<u>250,000</u>	<u>35,000</u>
Installment Loan:							
Refuse Truck	2.310%	2024	0	139,131	0	139,131	45,307
OPWC Loans:							
St. Martins Place Improvements	0.000%	2041	106,056	0	(2,651)	103,405	5,303
Various Street Improvements	0.000%		51,900	184,722	0	236,622	0
Total OPWC Loans			<u>157,956</u>	<u>184,722</u>	<u>(2,651)</u>	<u>340,027</u>	<u>5,303</u>
Governmental Activities Other Long-Term Obligations:							
Capital Leases			124,993	0	(124,993)	0	0
Compensated Absences			219,062	19,956	(23,694)	215,324	19,944
Total Governmental Activities			<u>\$821,011</u>	<u>\$343,809</u>	<u>(\$220,338)</u>	<u>\$944,482</u>	<u>\$105,554</u>

The Energy Efficiency Improvement bonds were issued on October 2, 2012 in the amount of \$455,000 for the purpose of energy efficiency improvements to City facilities. The bonds carry an interest rate of 3.375 percent and reach maturity on March 1, 2027. The Ambulance bonds were issued on September 23, 2013 in the amount of \$120,000 for the purchase of an ambulance. These bonds were retired in 2021.

The City obtained a \$139,131 loan in July 2021 for the purchase of a Refuse Truck. The loan carries an interest rate of 2.31% and matures in 2024.

In 2020 the City obtained financing through the Ohio Public Works Commission for improvements to Alma, Davis, Delmar, and Olivette Avenues at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2021, the City had received \$236,622 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2021, the loan has not been finalized and there is no amortization schedule for the loan.

Compensated absences will be paid from the General and Street Construction, Maintenance and Repair Funds.

The City's total debt margin was \$13,040,089 at December 31, 2021. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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

Years	General Obligation Bonds			OPWC Loans		
	Principal	Interest	Totals	Principal	Interest	Totals
2022	\$35,000	\$7,847	\$42,847	\$5,303	\$0	\$5,303
2023	35,000	6,666	41,666	5,303	0	5,303
2024	40,000	5,401	45,401	5,303	0	5,303
2025	45,000	3,966	48,966	5,303	0	5,303
2026	45,000	2,447	47,447	5,303	0	5,303
2027-2031	50,000	844	50,844	26,515	0	26,515
2032-2036	0	0	0	26,515	0	26,515
2037-2041	0	0	0	23,860	0	23,860
Totals	\$250,000	\$27,171	\$277,171	\$103,405	\$0	\$103,405

Years	Installment Loan		
	Principal	Interest	Totals
2022	\$45,307	\$3,260	\$48,567
2023	46,369	2,198	48,567
2024	47,455	1,112	48,567
Totals	\$139,131	\$6,570	\$145,701

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2021, the City contracted with Selective Insurance Company for insurance coverage as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Property	\$12,727,342	\$1,000
General Liability	3,000,000	0
Automobile	1,000,000	500
Umbrella Coverage	4,000,000	0
Public Official	1,000,000	5,000
Police Professional	1,000,000	5,000

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

There has been no significant reduction in insurance coverages from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

Ohio-Kentucky-Indiana-Regional Council of Governments – The City participates in the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). OKI members include Butler, Clermont, Hamilton and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. The purpose of OKI is to provide coordinated planning services to the appropriate federal, state and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. OKI also serves as an area-wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the counties who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county and municipal corporation, one individual selected by each county planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. If the organization were to dissolve, OKI's net position will revert to the said public bodies in proportion to each body's contribution towards the assets.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to OKI are made from the General Fund. No financial contributions were made by the City during 2021. To obtain financial information, write to Ronald Kuker, Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 720 East Pete Rose Way, Suite 420, Cincinnati, Ohio, 45202.

NOTE 14 – JOINT ECONOMIC DEVELOPMENT DISTRICTS

A. JEDD - Western Ridge

In 2007 a Joint Economic Development District (JEDD-WESTERN RIDGE) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2069, and may be extended for 2 terms of 20 years each. It sets aside 32.0635 acre of land located on Harrison Ave. and is further described by Hamilton County Auditor's Book 550, Page 320 Parcel 614. The original JEDD W-R authorized a maximum rate of 1% for persons employed in the District, with a cap on each individuals' earnings to be \$100,000 in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. After the set aside of fees to be held by the City of Cheviot the monies are divided as follows: 20% to the City of Cheviot and 80% to Green Township. Good Samaritan Hospital will be one of the main occupants along with Wellington Orthopedic, Tri Health and Tri State Center for Sight.

B. JEDD District II

In 2012 a Joint Economic Development District (JEDD II) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2062 and may by mutual consent extend the Contract for 2 additional terms of 10 years each. Is sets aside 20 acres of land located on Filview Circle at Harrison Avenue and is identified in Hamilton County Auditor's Book 550, Page 183, Parcels 028 & 030 consolidated, 072,420 and 502 inclusive. The original JEDD II authorized a maximum rate of 1% based on salaries or other personal service income earned by individuals from services performed within JEDD II, with a cap on earned income at 1% per annum, which cap shall, after the first year, be adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. After the set aside of fees to be held by the City of Cheviot the monies are divided as follows: 20% to the City of Cheviot and 80% to Green Township. The main occupants are The Christ Hospital, Children's Hospital, Christ Hospital Physicians LLC and OB_GNY Associates, Inc.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 14 – JOINT ECONOMIC DEVELOPMENT DISTRICTS (Continued)

C. JEDD District III

In 2013 a Joint Economic Development District (JEDD III Mercy-West) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2065 and may by mutual consent extend the Contract for two additional terms of ten years each. The areas to be included within the Green Township Mercy Hospitals West JEDD consist of thirteen parcels that contain 70 acres (plus or minus), presently listed in Hamilton County Auditor's Book 550, Page 74, Parcels 57,60,63,64,66,70,96,147,148 & 149, less and excepting the 1.176 acre parcel that forms a part of Auditor's Book 550, Page 74, Parcel 148, and which is more particularly described in Exhibit A, and is referred to as the Mercy Hospitals West JEDD territory.

The original JEDD III Mercy – West authorized a maximum rate of 2% based on salaries or other personal service income earned by individuals from services performed within the JEDD during the first 10 years of the JEDD, and a maximum rate of 1% based on salaries or other personal service income earned by individuals from services performed within the JEDD beginning in Year Eleven of the JEDD, with a cap on earned income at \$100,000 per annum, which cap shall, after the tenth year, be adjusted annually on January 1st of each year during the existence of the JEDD, based upon the Consumer Prices Index published by the U.S. Bureau of Labor Statistics on September 30th of the preceding year. After the set aside of fees to be held by the City of Cheviot the monies are divided as follows for the first 20 years of the contract, 10% to the City of Cheviot and 90% to Green Township. Beginning with the 21st year continuing until its expiration the following formula will be used: 15% to the City of Cheviot and 85% to Green Township. The main occupant is Mercy Hospital West.

D. JEDD IV - Harrison Greene

In 2014 a Joint Economic Development District (JEDD IV—HARRISON GREENE) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2065, and may be extended for 2 terms of 10 years each. It sets aside 6.4 (plus or minus) acres of land located on Harrison Ave. and is further described by Hamilton County Auditor's Book 550, Page 181 Parcel 20,108,464 and 465 . The original Jedd IV authorized A. a maximum rate of 1% for persons employed in the District, with a cap on each individuals' earnings to be \$100,000 in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. B. Net profits of businesses located within the JEDD IV (the Net Profits portion). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Green Township.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 14 – JOINT ECONOMIC DEVELOPMENT DISTRICTS (Continued)

E. JEDD - Liberty Nursing Health Care

In 2013 a Joint Economic Development District (JEDD- LIBERTY NURSING HEALTH CARE) between the City of Cheviot and Colerain Township was approved by the City Council of the City of Cheviot and the Trustees of Colerain Township. This contract will remain in effect until December 31, 2043 and may by mutual consent extend the Contract for 2 additional terms of 10 years each. It sets aside 1 parcel of land located at the intersection of Livingston and Blue Rock Roads, and is identified in Hamilton County Parcel number 510-0203-0005-00. The original Jedd Liberty Nursing Health Care authorized a maximum rate of 2% based on A. salaries or other personal service income earned by individuals from services performed within Jedd Liberty Nursing Health Care, with a cap on earned income at 1% per annum, which cap shall, after the first year, be adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. B. Net profits of businesses located within the Liberty Nursing Health Care JEDD (the Net Profits portion). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Colerain Township.

F. JEDD – UDF North Bend

In 2016 a Joint Economic Development District (JEDD V UDF NORTH BEND) between the City of Cheviot and Green Township was approved by the City Council of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2066 and may be extended for two additional terms of ten years each. It sets aside 2.21 acre (plus or minus) site located on North Bend Road and Westwood Northern Boulevard and is further described by Hamilton County Auditor's Book 550 Page 61 Parcel 161, 162, 185, 186, 187, 188, 191, 192, 263, 460. The original Jedd V authorized A. a maximum rate of 1% for persons employed in the District, with a cap on each individuals' earnings to be \$100,000 per annum in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Prices Index published by the U.S. Bureau of Labor Statistics on September 30th of the preceding year. B. Net profits of business located within the Jedd V (the Net Profits portion). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Green Township.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 14 – JOINT ECONOMIC DEVELOPMENT DISTRICTS (Continued)

G. JEDD – McAllister’s Deli

In 2018 a Joint Economic Development District (JEDD VI Mcallisters’ Deli) between the City of Cheviot and Green Township was approved by the City Council of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2093 and may be extended for two additional terms of fifty years each. It sets aside 1.1171 acre (plus or minus) site located at 6135 Harrison Avenue and is further described by Hamilton County Auditor’s Book 550 Page 220 Parcel 1179. The original Jedd VI (McAllisters’) authorized A. a maximum rate of 1% of salaries or other personal service income earned by individuals from services performed within the JEDD (the “Earnings Tax”), with a cap on earned income at \$100,000 per annum, in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Prices Index (CPI-U) published by the U.S. Bureau of Labor Statistics on September 30th of the preceding year. B. JEDD VI (McAllisters’) authorized a maximum rate of one (1%) based net profits of all business operating with the JEDD VI District, Net profits of business located within the Jedd VI (the Net Profits Tax). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Green Township.

NOTE 15 – SIGNIFICANT COMMITMENTS

At December 31, 2021 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$39,033
Other Governmental Funds	13,486
Total Governmental Funds	<u>\$52,519</u>

NOTE 16 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

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CITY OF CHEVIOT, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHEVIOT, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Eight Years***

Ohio Public Employees Retirement System

Year	2014	2015	2016
City's proportion of the net pension liability (asset)	0.007864%	0.007864%	0.007980%
City's proportionate share of the net pension liability (asset)	\$927,063	\$948,486	\$1,382,253
City's covered payroll	\$956,723	\$968,492	\$989,350
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	96.90%	97.93%	139.71%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2014	2015	2016
City's proportion of the net pension liability (asset)	0.058138%	0.058138%	0.061767%
City's proportionate share of the net pension liability (asset)	\$2,831,518	\$3,011,806	\$3,973,489
City's covered payroll	\$1,283,343	\$1,152,487	\$1,261,131
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	220.64%	261.33%	315.07%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
0.008172%	0.007698%	0.007475%	0.007300%	0.007173%
\$1,855,764	\$1,207,624	\$2,047,252	\$1,442,895	\$1,062,165
\$1,009,567	\$1,029,546	\$1,009,686	\$1,027,679	\$1,012,986
183.82%	117.30%	202.76%	140.40%	104.85%
77.25%	84.66%	74.70%	82.17%	86.88%

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
0.061819%	0.063506%	0.061753%	0.065327%	0.066748%
\$3,915,537	\$3,897,648	\$5,040,676	\$4,400,782	\$4,550,250
\$1,279,894	\$1,408,692	\$1,436,375	\$1,557,820	\$1,584,538
305.93%	276.69%	350.93%	282.50%	287.17%
68.36%	70.91%	63.07%	69.89%	70.65%

CITY OF CHEVIOT, OHIO

***Schedule of City Pension Contributions
Last Nine Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$124,374	\$116,219	\$118,722
Contributions in relation to the contractually required contribution	<u>124,374</u>	<u>116,219</u>	<u>118,722</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$956,723	\$968,492	\$989,350
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$229,294	\$242,898	\$264,651
Contributions in relation to the contractually required contribution	<u>229,294</u>	<u>242,898</u>	<u>264,651</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$1,283,343	\$1,152,487	\$1,261,131
Contributions as a percentage of covered payroll	17.87%	21.08%	20.99%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

2016	2017	2018	2019	2020	2021
\$121,148	\$133,841	\$141,356	\$143,875	\$141,818	\$148,479
<u>121,148</u>	<u>133,841</u>	<u>141,356</u>	<u>143,875</u>	<u>141,818</u>	<u>148,479</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,009,567	\$1,029,546	\$1,009,686	\$1,027,679	\$1,012,986	\$1,060,564
12.00%	13.00%	14.00%	14.00%	14.00%	14.00%

2016	2017	2018	2019	2020	2021
\$268,611	\$294,324	\$301,986	\$325,351	\$327,588	\$350,349
<u>268,611</u>	<u>294,324</u>	<u>301,986</u>	<u>325,351</u>	<u>327,588</u>	<u>350,349</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,279,894	\$1,408,692	\$1,436,375	\$1,557,820	\$1,584,538	\$1,692,556
20.99%	20.89%	21.02%	20.89%	20.67%	20.70%

CITY OF CHEVIOT, OHIO

Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (Asset) Last Five Years

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net OPEB liability (asset)	0.007794%	0.007306%	0.007057%
City's proportionate share of the net OPEB liability (asset)	\$787,249	\$793,399	\$920,066
City's covered payroll	\$1,009,567	\$1,029,546	\$1,009,686
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	77.98%	77.06%	91.12%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net OPEB liability (asset)	0.061819%	0.063506%	0.061753%
City's proportionate share of the net OPEB liability (asset)	\$2,934,397	\$3,598,161	\$562,357
City's covered payroll	\$1,279,894	\$1,408,692	\$1,436,375
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	229.27%	255.43%	39.15%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

<u>2020</u>	<u>2021</u>
0.006921%	0.006819%
\$955,970	(\$121,486)
\$1,027,679	\$1,012,986
93.02%	(11.99%)
47.80%	115.57%

<u>2020</u>	<u>2021</u>
0.065327%	0.066748%
\$645,286	\$707,205
\$1,557,820	\$1,584,538
41.42%	44.63%
47.08%	45.42%

CITY OF CHEVIOT, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Nine Years***

Ohio Public Employees Retirement System

Year	2013	2014	2015
Contractually required contribution	\$9,567	\$19,370	\$19,787
Contributions in relation to the contractually required contribution	9,567	19,370	19,787
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$956,723	\$968,492	\$989,350
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015
Contractually required contribution	\$46,287	\$5,762	\$6,306
Contributions in relation to the contractually required contribution	46,287	5,762	6,306
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$1,283,343	\$1,152,487	\$1,261,131
Contributions as a percentage of covered payroll	3.61%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

2016	2017	2018	2019	2020	2021
\$20,191	\$10,295	\$0	\$0	\$0	\$0
<u>20,191</u>	<u>10,295</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,009,567	\$1,029,546	\$1,009,686	\$1,027,679	\$1,012,986	\$1,060,564
2.00%	1.00%	0.00%	0.00%	0.00%	0.00%

2016	2017	2018	2019	2020	2021
\$6,399	\$7,044	\$7,182	\$7,789	\$7,923	\$8,463
<u>6,399</u>	<u>7,044</u>	<u>7,182</u>	<u>7,789</u>	<u>7,923</u>	<u>8,463</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,279,894	\$1,408,692	\$1,436,375	\$1,557,820	\$1,584,538	\$1,692,556
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

CITY OF CHEVIOT, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2021.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

2021: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 1.4% to 0.5% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2021.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

CITY OF CHEVIOT, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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CITY OF CHEVIOT, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET OPEB LIABILITY (ASSET)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2021.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.16% to 6.00%.
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020 - 2021: There were no changes in benefit terms.

CITY OF CHEVIOT, OHIO

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2021***

NET OPEB LIABILITY (ASSET) (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.56% to 2.96%.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

City of Cheviot
Hamilton County
3814 Harrison Avenue
Cheviot, Ohio 45211

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, as of December 31, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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
March 10, 2023

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

The discussion and analysis of the City of Cheviot's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 are as follows:

- ❑ Net position of governmental activities increased \$727,165, or 24% from the prior year.
- ❑ General revenues accounted for \$4,996,868 in revenue or 68% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,372,041, or 32% of total revenues of \$7,368,909.
- ❑ The City had \$6,641,744 in expenses related to governmental activities; only \$2,372,041 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,996,868 were adequate to provide for these programs.
- ❑ The City's general fund had \$5,474,956 in revenues and \$4,688,201 in expenditures. The general fund's fund balance increased from \$738,785 to \$1,390,607.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF CHEVIOT, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are comprised of:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare, leisure time activities, community environment, public works, transportation and general government.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

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 of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2020 compared to 2019.

	Governmental Activities	
	2020	2019
Current and Other Assets	\$5,705,639	\$4,949,728
Capital assets, Net	7,842,157	7,216,250
Total Assets	13,547,796	12,165,978
Deferred Outflows of Resources	1,749,904	2,542,682
Net Pension Liability	5,843,677	7,087,928
Net OPEB Liability	1,601,256	1,482,423
Other Long-Term Liabilities	821,011	593,112
Other Liabilities	243,395	326,231
Total Liabilities	8,509,339	9,489,694
Deferred Inflows of Resources	3,046,706	2,204,476
Net Position		
Net Investment in Capital Assets	7,525,208	7,137,374
Restricted	1,753,528	1,582,044
Unrestricted	(5,537,081)	(5,704,928)
Total Net Position	\$3,741,655	\$3,014,490

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability (NOL) is reported by the City pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

Change in Net Position – The following table shows the change in net position for 2020 compared to 2019:

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues:		
Charges for Services and Sales	\$859,312	\$1,013,392
Operating Grants and Contributions	1,156,729	517,151
Capital Grants and Contributions	356,000	501,838
Total Program Revenues	2,372,041	2,032,381
General revenues:		
Property Taxes	1,825,147	1,780,090
Municipal Income Taxes	2,345,730	1,863,304
Other Local Taxes	60,752	62,126
Intergovernmental Revenues, Unrestricted	315,488	335,388
Miscellaneous	449,751	83,862
Total General Revenues	4,996,868	4,124,770
Total Revenues	7,368,909	6,157,151
Program Expenses		
Security of Persons and Property	3,326,148	286,854
Public Health and Welfare Services	22,779	23,837
Leisure Time Activities	90,418	177,199
Community Environment	7,410	12,398
Public Works	434,054	419,595
Transportation	828,743	880,566
General Government	1,913,803	1,974,763
Interest and Fiscal Charges	18,389	17,128
Total Expenses	6,641,744	3,792,340
Change in Net Position	727,165	2,364,811
Beginning Net Position	3,014,490	649,679
Ending Net Position	\$3,741,655	\$3,014,490

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

Governmental Activities

Governmental activities net position increased \$727,165. A decrease in charges for services can be attributed to a reduction in pool memberships and pool concessions, due to the Covid-19 pandemic. This reduction in pool activity also resulted in a decrease in leisure time activities expense. An increase in operating grants was due to Coronavirus Relief Funding.

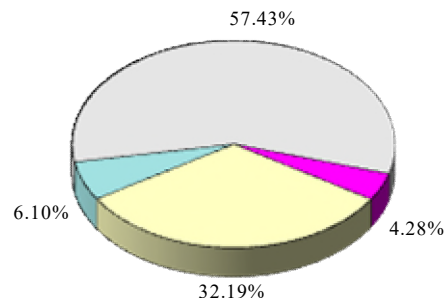
Capital grants consisted of Ohio Public Works Commission grants for improvements to St. Martins place. An increase in miscellaneous revenue was the result of refunds received from the Ohio Bureau of Workers' Compensation.

A substantial decrease in security of persons and property expense in the prior year due to changes in the Ohio Police and Fire OPEB liability resulted in a subsequent increase in security of persons and property expense in 2020.

The City receives an income tax, which is based on 2.0% of all salaries, wages, commissions and other compensation and on net profits earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City.

Income taxes and property taxes made up 32% and 25% respectively, of revenues for governmental activities in 2020. The City's reliance upon tax revenues is demonstrated by the following graph indicating 57% of total revenues from general tax revenues:

Revenue Sources	2020	Percent of Total
General Tax Revenues	\$4,231,629	57.43%
Intergovernmental, Unrestricted	315,488	4.28%
Program Revenues	2,372,041	32.19%
General Other	449,751	6.10%
Total Revenue	\$7,368,909	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,984,102, which is an increase from last year's balance of \$2,178,744. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2020 and 2019:

	Fund Balance December 31, 2020	Fund Balance December 31, 2019	Increase (Decrease)
General	\$1,390,607	\$738,785	\$651,822
3 Mill Project	1,130,105	842,969	287,136
Other Governmental	463,390	596,990	(133,600)
Total	\$2,984,102	\$2,178,744	\$805,358

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2020 <u>Revenues</u>	2019 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$1,491,426	\$1,465,954	\$25,472
Municipal Income Taxes	2,286,746	1,946,011	340,735
Other Local Taxes	60,752	62,126	(1,374)
Intergovernmental Revenues	369,359	316,330	53,029
Charges for Services	697,367	687,814	9,553
Rental Revenue	62,240	80,973	(18,733)
Licenses, Permits and Fees	24,412	16,239	8,173
Investment Earnings	1	3	(2)
Fines and Forfeitures	59,727	74,039	(14,312)
All Other Revenue	422,926	95,576	327,350
Total	<u>\$5,474,956</u>	<u>\$4,745,065</u>	<u>\$729,891</u>

General Fund revenues increased \$729,891, or 15%. This can be attributed to an increase in income taxes and all other revenue. The increase in all other revenue was the result of refunds received from the Ohio Bureau of Workers' Compensation.

	2020 <u>Expenditures</u>	2019 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Security of Persons and Property	\$2,594,435	\$2,582,928	\$11,507
Public Health and Welfare Services	7,238	7,112	126
Leisure Time Activities	67,976	81,113	(13,137)
Public Works	398,691	393,441	5,250
Transportation	0	151,961	(151,961)
General Government	1,619,861	1,638,036	(18,175)
Total	<u>\$4,688,201</u>	<u>\$4,854,591</u>	<u>(\$166,390)</u>

General Fund expenditures decreased \$166,390, or 3% when compared with the previous year. This decrease can mostly be attributed to street department salaries being paid from the Street Construction, Maintenance, and Repair Fund in 2020.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2020 the City amended its General Fund budget several times.

For the General Fund, original, final, and actual budget basis revenues were not significantly different. Actual budget basis expenditures were approximately 11% less than final appropriations, which can be attributed to a portion of public safety costs funded from the Coronavirus Relief Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020 the City had \$7,842,157 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, furniture and equipment. The following table shows 2020 and 2019 balances:

	Governmental Activities		Increase (Decrease)
	2020	2019	
Land	\$275,950	\$275,950	\$0
Construction in Progress	51,900	32,076	19,824
Land Improvements	576,352	545,883	30,469
Buildings and Improvements	2,418,001	2,418,001	0
Furniture and Equipment	5,623,894	5,152,934	470,960
Infrastructure	7,439,757	6,828,958	610,799
Less: Accumulated Depreciation	(8,543,697)	(8,037,552)	(506,145)
Totals	<u>\$7,842,157</u>	<u>\$7,216,250</u>	<u>\$625,907</u>

Governmental activities capital asset additions included a garbage truck, ambulance, police cruisers, police equipment, fire equipment, and improvements to St. Martins Place.

Additional information on the City's capital assets can be found in Note 8.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

Debt and Other Long Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Governmental Activities:		
General Obligation Bonds	\$319,000	\$361,800
OPWC Loans	157,956	32,076
Capital Leases	124,993	0
Compensated Absences	219,062	199,236
Total Governmental Activities	<u>\$821,011</u>	<u>\$593,112</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2020, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or the need for additional financial information can be directed to the Auditor's Office of the City of Cheviot.

CITY OF CHEVIOT, OHIO

Statement of Net Position *December 31, 2020*

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 2,641,426
Receivables:	
Property Taxes	1,864,299
Income Taxes	539,034
Other Local Taxes	15,714
Accounts	137,110
Intergovernmental Receivable	410,587
Special Assessments	6,590
Inventory of Supplies at Cost	69,888
Prepaid Items	20,991
Non-Depreciable Capital Assets	327,850
Depreciable Capital Assets, Net	7,514,307
Total Assets	13,547,796
Deferred Outflows of Resources:	
Pension	1,133,580
OPEB	616,324
Total Deferred Outflows of Resources	1,749,904
Liabilities:	
Accounts Payable	47,777
Accrued Wages and Benefits	137,302
Intergovernmental Payable	48,370
Unearned Revenue	6,641
Accrued Interest Payable	3,305
Noncurrent Liabilities:	
Due Within One Year	135,857
Due in More Than One Year:	
Net Pension Liability	5,843,677
Net OPEB Liability	1,601,256
Other Amounts Due in More Than One Year	685,154
Total Liabilities	8,509,339

CITY OF CHEVIOT, OHIO

	Governmental Activities
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	1,736,911
Pension	840,200
OPEB	469,595
Total Deferred Inflows of Resources	<u>3,046,706</u>
Net Position:	
Net Investment in Capital Assets	7,525,208
Restricted For:	
Capital Projects	1,165,854
Other Purposes	587,674
Unrestricted (Deficit)	(5,537,081)
Total Net Position	<u>\$ 3,741,655</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Activities
For the Year Ended December 31, 2020

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,326,148	\$ 210,760	\$ 6,418	\$ 0
Public Health and Welfare Services	22,779	0	889	0
Leisure Time Activities	90,418	54,156	0	0
Community Environment	7,410	0	0	0
Public Works	434,054	462,952	0	0
Transportation	828,743	23,708	494,858	356,000
General Government	1,913,803	107,736	654,564	0
Interest and Fiscal Charges	18,389	0	0	0
Total Governmental Activities	\$ 6,641,744	\$ 859,312	\$ 1,156,729	\$ 356,000

General Revenues

Property Taxes Levied for:

General Purposes

Capital Outlay

Municipal Income Taxes

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities

\$	(3,108,970)
	(21,890)
	(36,262)
	(7,410)
	28,898
	45,823
	(1,151,503)
	(18,389)
\$	<u>(4,269,703)</u>

1,498,562

326,585

2,345,730

60,752

315,488

1

449,750

4,996,868

727,165

3,014,490

\$ 3,741,655

CITY OF CHEVIOT, OHIO

**Balance Sheet
Governmental Funds
December 31, 2020**

	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,141,299	\$ 1,130,105	\$ 370,022	\$ 2,641,426
Receivables:				
Property Taxes	1,537,613	326,686	0	1,864,299
Income Taxes	539,034	0	0	539,034
Other Local Taxes	15,714	0	0	15,714
Accounts	137,110	0	0	137,110
Intergovernmental	160,247	4,587	245,753	410,587
Special Assessments	0	0	6,590	6,590
Inventory of Supplies, at Cost	22,695	0	47,193	69,888
Prepaid Items	20,991	0	0	20,991
Total Assets	\$ 3,574,703	\$ 1,461,378	\$ 669,558	\$ 5,705,639
Liabilities:				
Accounts Payable	\$ 29,382	\$ 0	\$ 18,395	\$ 47,777
Accrued Wages and Benefits Payable	120,867	0	16,435	137,302
Intergovernmental Payable	47,486	0	884	48,370
Unearned Revenue	6,641	0	0	6,641
Total Liabilities	204,376	0	35,714	240,090
Deferred Inflows of Resources:				
Unavailable Amounts	546,333	27,749	170,454	744,536
Property Tax Levy for Next Fiscal Year	1,433,387	303,524	0	1,736,911
Total Deferred Inflows of Resources	1,979,720	331,273	170,454	2,481,447
Fund Balance:				
Nonspendable	47,510	0	47,193	94,703
Restricted	0	1,130,105	371,328	1,501,433
Committed	0	0	44,869	44,869
Assigned	932,172	0	0	932,172
Unassigned	410,925	0	0	410,925
Total Fund Balance	1,390,607	1,130,105	463,390	2,984,102
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,574,703	\$ 1,461,378	\$ 669,558	\$ 5,705,639

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

***Reconciliation of Total Governmental Fund Balances
To Net Position of Governmental Activities
December 31, 2020***

Total Governmental Fund Balances \$ 2,984,102

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 7,842,157

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 744,536

The net pension/OPEB liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - Pension	1,133,580	
Deferred Inflows - Pension	(840,200)	
Net Pension Liability	(5,843,677)	
Deferred Outflows - OPEB	616,324	
Deferred Inflows - OPEB	(469,595)	
Net OPEB Liability	(1,601,256)	(7,004,824)

Long-term liabilities, including bonds payable and compensated absences
are not due and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds Payable	(319,000)	
OPWC Loan Payable	(157,956)	
Capital Leases Payable	(124,993)	
Compensated Absences Payable	(219,062)	
Accrued Interest Payable	(3,305)	(824,316)

Net Position of Governmental Activities **\$ 3,741,655**

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2020

	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 1,491,426	\$ 324,994	\$ 0	\$ 1,816,420
Municipal Income Taxes	2,286,746	0	0	2,286,746
Other Local Taxes	60,752	0	0	60,752
Intergovernmental Revenues	369,359	9,802	1,456,119	1,835,280
Charges for Services	697,367	0	15,513	712,880
Rental Revenue	62,240	0	0	62,240
Licenses, Permits and Fees	24,412	0	0	24,412
Investment Earnings	1	0	0	1
Special Assessments	0	0	23,709	23,709
Fines and Forfeitures	59,727	0	24,159	83,886
All Other Revenue	422,926	0	24,372	447,298
Total Revenue	5,474,956	334,796	1,543,872	7,353,624
Expenditures:				
Current:				
Security of Persons and Property	2,594,435	0	481,419	3,075,854
Public Health and Welfare Services	7,238	0	15,541	22,779
Leisure Time Activities	67,976	0	996	68,972
Community Environment	0	0	7,410	7,410
Public Works	398,691	0	184,024	582,715
Transportation	0	0	705,011	705,011
General Government	1,619,861	0	125,471	1,745,332
Capital Outlay	0	47,660	481,880	529,540
Debt Service:				
Principal Retirement	0	0	101,831	101,831
Interest and Fiscal Charges	0	0	18,765	18,765
Total Expenditures	4,688,201	47,660	2,122,348	6,858,209
Excess (Deficiency) of Revenues Over (Under) Expenditures	786,755	287,136	(578,476)	495,415
Other Financing Sources (Uses):				
OPWC Loan Issuance	0	0	125,880	125,880
Transfers In	0	0	135,070	135,070
Transfers Out	(135,070)	0	0	(135,070)
Other Financing Sources - Capital Lease	0	0	184,024	184,024
Total Other Financing Sources (Uses)	(135,070)	0	444,974	309,904
Net Change in Fund Balance	651,685	287,136	(133,502)	805,319
Fund Balance at Beginning of Year	738,785	842,969	596,990	2,178,744
Increase (Decrease) in Inventory	137	0	(98)	39
Fund Balance End of Year	\$ 1,390,607	\$ 1,130,105	\$ 463,390	\$ 2,984,102

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, 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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 805,319

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	1,239,897	
Depreciation Expense	(607,399)	632,498

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (6,591)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 15,285

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

Pension	469,406	
OPEB	7,923	477,329

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

Pension	(807,608)	
OPEB	(161,583)	(969,191)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Capital Lease Retirement	59,031	
Capital Lease Issuance	(184,024)	
OPWC Loan Issuance	(125,880)	
Bond Principal Retirement	42,800	
Change in Accrued Interest Payable	376	(207,697)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(19,826)	
Change in Inventory	39	(19,787)

Change in Net Position of Governmental Activities \$ 727,165

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,422,174	\$ 1,422,174	\$ 1,491,426	\$ 69,252
Municipal Income Taxes	2,119,210	2,119,210	2,168,011	48,801
Other Local Taxes	62,000	62,000	60,638	(1,362)
Intergovernmental Revenues	336,045	494,628	368,813	(125,815)
Charges for Services	714,000	714,000	685,428	(28,572)
Rental Revenue	86,000	86,000	56,795	(29,205)
Licenses, Permits and Fees	14,895	14,895	24,412	9,517
Investment Earnings	0	0	1	1
Fines and Forfeitures	72,000	72,000	56,140	(15,860)
All Other Revenues	32,200	32,200	414,041	381,841
Total Revenues	<u>4,858,524</u>	<u>5,017,107</u>	<u>5,325,705</u>	<u>308,598</u>
Expenditures:				
Current:				
Security of Persons and Property	3,090,832	3,087,132	2,626,465	460,667
Public Health and Welfare Services	7,238	7,238	7,238	0
Leisure Time Activities	94,520	85,120	71,230	13,890
Public Works	417,673	415,673	399,089	16,584
General Government	1,665,766	1,739,449	1,623,972	115,477
Total Expenditures	<u>5,276,029</u>	<u>5,334,612</u>	<u>4,727,994</u>	<u>606,618</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(417,505)	(317,505)	597,711	915,216
Other Financing Sources (Uses):				
Transfers In	291,400	291,400	276,500	(14,900)
Transfers Out	(531,000)	(531,000)	(411,570)	119,430
Total Other Financing Sources (Uses):	<u>(239,600)</u>	<u>(239,600)</u>	<u>(135,070)</u>	<u>104,530</u>
Net Change in Fund Balance	(657,105)	(557,105)	462,641	1,019,746
Fund Balance at Beginning of Year	372,177	372,177	372,177	0
Prior Year Encumbrances	199,673	199,673	199,673	0
Fund Balance at End of Year	<u>\$ (85,255)</u>	<u>\$ 14,745</u>	<u>\$ 1,034,491</u>	<u>\$ 1,019,746</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

***Statement of Net Position
Fiduciary Funds
December 31, 2020***

	<u>Custodial Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 616,337
Cash and Cash Equivalents in Segregated Accounts	450
Receivables:	
Taxes	174,703
Total Assets	<u>791,490</u>
Liabilities:	
Intergovernmental Payable	455
Undistributed Monies	791,035
Total Liabilities	<u>791,490</u>
Net Position:	
Total Net Position	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	<u>Custodial Funds</u>
Additions:	
Fines and Forfeiture Collections for other Governments	\$ 9,392
Fee Collections for other Governments	254
Income Tax Collections for other Governments	<u>2,082,018</u>
Total Additions	<u>2,091,664</u>
Deductions:	
Distribution of Fines and Forfeitures to other Governments	9,392
Distribution of Fees to other Governments	254
Distribution of Income Taxes to other Governments	<u>2,082,018</u>
Total Deductions	<u>2,091,664</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>0</u>
Net Position End of Year	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cheviot (the "City") is a non-chartered municipal corporation operating under the laws of the State of Ohio. The community was established in 1818 as part of Green Township, it then became a village on July 1, 1901, before becoming a city on January 1, 1932. The municipal government is known as a Council/Mayor form of government. The Mayor is elected to a four-year term. The President of Council and seven council members (one from each ward and three at-large) are elected to four-year terms. The Mayor appoints a Safety Service Director. The Safety Service Director is the chief executive officer and the head of the administrative agencies of the City. He/she appoints all department heads and employees, except for the Clerk of Council, who is appointed by Council.

The financial statements are presented as of December 31, 2020 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, waste management, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare. A staff provides support (i.e. payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

The financial activity of the Mayor's Court has been included in the City's financial statements as a custodial fund. The Mayor has fiduciary responsibility for the collection and distribution of the courts fees and fines to other governments.

The City participates in one organization which is defined as a jointly governed organization, the Ohio-Kentucky-Indiana Regional Council of Governments. This organization is presented in Note 14.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those 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 general laws of Ohio and the limitations of the City Charter.

3 Mill Project Fund - This fund is used to account for property taxes levied to be used for street improvement projects.

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

Fiduciary Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's only fiduciary funds are custodial funds.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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 government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund 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.

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

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, loans and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred inflows of resources. Property taxes measurable as of December 31, 2020 but which are not intended to finance 2020 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government wide statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than custodial funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the major object level within each department and fund. Budgetary modifications may only be made by ordinance or resolution of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

Prior to October 1, the City accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do 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 any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2020.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. The budgetary figures which appear in the Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual Non-GAAP Budgetary Basis for the General Fund is provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

At the close of each fiscal 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 forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on a budgetary basis.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$651,685
Increase (Decrease):	
Accrued Revenues at December 31, 2020 received during 2021	(472,045)
Accrued Revenues at December 31, 2019 received during 2020	329,119
Accrued Expenditures at December 31, 2020 paid during 2021	204,376
Accrued Expenditures at December 31, 2019 paid during 2020	(207,194)
2019 Prepays for 2020	22,452
2020 Prepays for 2021	(20,991)
Outstanding Encumbrances	<u>(44,761)</u>
Budget Basis	<u><u>\$462,641</u></u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. Cash and cash equivalents that are held separately for the Mayor's court account are not held by the City Treasurer and are recorded on the financial statements as "Cash and Cash Equivalents in Segregated Accounts." See Note 4, "Cash, Cash Equivalents and Investments."

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

On the government-wide financial statements inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. 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 funds when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$650.

Governmental activities capital assets are those that generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. The City's infrastructure consists of streets. The City only reports infrastructure assets acquired after 2003 and does not plan to phase in prior years' amounts. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Building Improvements	20 – 45
Furniture and Equipment	5 – 20
Infrastructure	10 - 60

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund
General Obligation Bonds	Ambulance Fund, Energy Efficiency Project Fund
Capital Leases	Automotive Equipment Fund

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual of earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

In accordance with GASB Statement No. 16, *"Accounting for Compensated Absences,"* the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected. In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. 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 systems. 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 systems report investments at fair value.

N. Interfund Activity

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

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. 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 (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2020.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources are reported for pension/OPEB amounts on the government-wide statement of net position. See Notes 9 and 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide statement of net position. See Notes 9 and 10.

R. Fair Market Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities.”

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.

These changes were incorporated in the City’s 2020 financial statements; however, there was no effect on beginning net position/fund balance.

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned 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 constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Supplies Inventory	\$22,695	\$0	\$47,193	\$69,888
Prepaid Items	20,991	0	0	20,991
Unclaimed Funds	3,824	0	0	3,824
Total Nonspendable	<u>47,510</u>	<u>0</u>	<u>47,193</u>	<u>94,703</u>
Restricted:				
Street Improvements	0	0	205,673	205,673
Parking Lot Operations	0	0	4,283	4,283
Sidewalk Maintenance	0	0	58,777	58,777
Shade Tree Program	0	0	666	666
Law Enforcement	0	0	86,777	86,777
Court Improvements	0	0	326	326
EMS Program	0	0	1,412	1,412
Community Environment	0	0	5,414	5,414
Capital Improvements	0	1,130,105	8,000	1,138,105
Total Restricted	<u>0</u>	<u>1,130,105</u>	<u>371,328</u>	<u>1,501,433</u>
Committed:				
Swimming Pool Operations	0	0	8,501	8,501
Debt Service	0	0	6,368	6,368
Capital Improvements	0	0	30,000	30,000
Total Committed	<u>0</u>	<u>0</u>	<u>44,869</u>	<u>44,869</u>
Assigned:				
Other Purposes	932,172	0	0	932,172
Unassigned (Deficits):	410,925	0	0	410,925
Total Fund Balances	<u>\$1,390,607</u>	<u>\$1,130,105</u>	<u>\$463,390</u>	<u>\$2,984,102</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City's deposits was \$3,258,213 and the bank balance was \$3,423,355. Federal depository insurance covered \$250,000 of the bank balance and \$3,173,355 was exposed to custodial risk and was collateralized with specific pledged collateral.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2017. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Cheviot. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2020 was \$20.13 per \$1,000 of assessed value. The assessed value upon which the 2020 tax levy was based was \$125,655,250. This amount constitutes \$116,312,150 in real property assessed value and \$9,343,100 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is 2.013% (20.13 mills) of assessed value.

Real Estate Tax Abatements

The City provides tax incentives under one (1) program, the Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is the information relevant to the disclosure of this program for the year ending December 31, 2020.

	<u>Total Amount of Taxes Abated For the year 2020</u>
<i>Community Reinvestment Area (CRA)</i>	
Retail	\$1,990
	<u>\$1,990</u>

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 5 - TAXES (Continued)

B. Income Tax

The City levies a tax of two percent on all salaries, wages, and other compensation earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City. The City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. Income tax revenue is accounted for through the General Fund.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2020 consisted of taxes, accounts, special assessments, and intergovernmental receivables arising from shared revenues.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2020:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$0	\$135,070
Other Governmental Funds	<u>135,070</u>	<u>0</u>
Total Governmental Funds	<u><u>\$135,070</u></u>	<u><u>\$135,070</u></u>

Transfers made during the year ended December 31, 2020 consisted of amounts transferred from the General Fund to other funds to provide additional resources for operations and debt service.

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CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2020:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Capital assets not being depreciated:				
Land	\$275,950	\$0	\$0	\$275,950
Construction in Progress	32,076	51,900	(32,076)	51,900
Sub-total	308,026	51,900	(32,076)	327,850
Capital assets being depreciated:				
Land Improvements	545,883	30,469	0	576,352
Buildings and Improvements	2,418,001	0	0	2,418,001
Furniture and Equipment	5,152,934	578,805	(107,845)	5,623,894
Infrastructure	6,828,958	610,799	0	7,439,757
Total Cost	<u>\$15,253,802</u>	<u>\$1,271,973</u>	<u>(\$139,921)</u>	<u>\$16,385,854</u>
Accumulated Depreciation:				
Class	December 31, 2019	Additions	Deletions	December 31, 2020
Land Improvements	(\$401,120)	(\$10,220)	\$0	(\$411,340)
Buildings and Improvements	(1,840,347)	(45,679)	0	(1,886,026)
Furniture and Equipment	(4,025,998)	(278,429)	101,254	(4,203,173)
Infrastructure	(1,770,087)	(273,071)	0	(2,043,158)
Total Depreciation	<u>(\$8,037,552)</u>	<u>(\$607,399)*</u>	<u>\$101,254</u>	<u>(\$8,543,697)</u>
Net Value:	<u>\$7,216,250</u>			<u>\$7,842,157</u>

* Depreciation was charged to governmental functions as follows:

Security of Persons and Property	\$188,191
Leisure Time Activities	21,584
Public Works	31,300
Transportation	314,307
General Government	52,017
Total Depreciation Expense	<u>\$607,399</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 – 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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. 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; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% 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 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member’s FAS for the first 30 years of service.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	<u>State and Local</u>
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$141,818 for 2020.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of 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.

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 and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %
2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$327,588 for 2020.

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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>
Proportionate Share of the Net Pension Liability	\$1,442,895	\$4,400,782	\$5,843,677
Proportion of the Net Pension Liability-2020	0.007300%	0.065327%	
Proportion of the Net Pension Liability-2019	0.007475%	0.061753%	
Percentage Change	<u>(0.000175%)</u>	<u>0.003574%</u>	
Pension Expense	\$173,555	\$634,053	\$807,608

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$77,067	\$108,028	\$185,095
Differences between expected and actual experience	0	166,582	166,582
Change in proportionate share	0	312,497	312,497
City contributions subsequent to the measurement date	141,818	327,588	469,406
Total Deferred Outflows of Resources	<u>\$218,885</u>	<u>\$914,695</u>	<u>\$1,133,580</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$287,824	\$212,592	\$500,416
Differences between expected and actual experience	18,243	226,968	245,211
Change in proportionate share	0	94,573	94,573
Total Deferred Inflows of Resources	<u>\$306,067</u>	<u>\$534,133</u>	<u>\$840,200</u>

\$469,406 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, 2021. 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:			
2021	(\$33,680)	\$34,533	\$853
2022	(92,955)	38,221	(54,734)
2023	11,920	129,497	141,417
2024	(114,285)	(146,957)	(261,242)
2025	0	(2,320)	(2,320)
Total	<u>(\$229,000)</u>	<u>\$52,974</u>	<u>(\$176,026)</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 CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2019 and December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2019
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
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 most recent experience study was completed for the five year period ended December 31, 2015.

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 2019, 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 17.2% for 2019.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 percent, 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 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$2,379,800	\$1,442,895	\$600,644

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’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 the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, compared with January 1, 2018, are presented below.

	January 1, 2019	January 1, 2018
Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2019 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2019 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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 OPF’s target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’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 1.2 times due to the application of leverage in certain fixed income asset classes.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2019, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2018 was 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	\$6,099,331	\$4,400,782	\$2,980,115

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability 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 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 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. Resulting adjustments to the net OPEB liability 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* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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 20 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' CAFR 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. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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 2020. 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 2020 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 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

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.

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.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2020, 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 and is limited by the provisions of Sections 115 and 401(h).

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 \$7,923 for 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability 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>
Proportionate Share of the Net OPEB Liability	\$955,970	\$645,286	\$1,601,256
Proportion of the Net OPEB Liability-2020	0.006921%	0.065327%	
Proportion of the Net OPEB Liability-2019	0.007057%	0.061753%	
Percentage Change	<u>(0.000136%)</u>	<u>0.003574%</u>	
OPEB Expense	\$74,377	\$87,206	\$161,583

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$151,321	\$377,258	\$528,579
Differences between expected and actual experience	25	0	25
Change in proportionate share	0	79,797	79,797
City contributions subsequent to the measurement date	0	7,923	7,923
Total Deferred Outflows of Resources	<u>\$151,346</u>	<u>\$464,978</u>	<u>\$616,324</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$48,678	\$29,695	\$78,373
Differences between expected and actual experience	87,429	69,394	156,823
Changes in assumptions	0	137,519	137,519
Change in proportionate share	1,460	95,420	96,880
Total Deferred Inflows of Resources	<u>\$137,567</u>	<u>\$332,028</u>	<u>\$469,595</u>

\$7,923 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	\$23,057	\$22,202	\$45,259
2022	11,486	22,202	33,688
2023	40	28,291	28,331
2024	(20,804)	18,685	(2,119)
2025	0	20,620	20,620
2026	0	7,616	7,616
2027	0	5,411	5,411
Total	<u>\$13,779</u>	<u>\$125,027</u>	<u>\$138,806</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. 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:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
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 most recent experience study was completed for the five year period ended December 31, 2015.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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 2019, 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 was 19.7 percent for 2019.

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 2019 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	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	<u>100.00 %</u>	<u>4.55 %</u>

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 2.75 percent.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 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 The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$1,251,040	\$955,970	\$719,715

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.

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 2020 is 10.50 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.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$927,760	\$955,970	\$983,820

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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.

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, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	3.56 percent	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

<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 Buck 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 prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. 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.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The 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 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$800,110	\$645,286	\$516,634

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.

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CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 - DEBT AND OTHER LONG-TERM OBLIGATIONS

Activity in Debt and Other Long-Term Obligations in 2020 was as follows:

			Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020	Amount Due Within One Year
	Maturity Date						
Governmental Activities Debt:							
General Obligation Bonds Payable:							
Energy Efficiency Improvements	3.375%	2027	\$315,000	\$0	(\$30,000)	\$285,000	\$35,000
Ambulance	3.500%	2023	46,800	0	(12,800)	34,000	13,200
Total General Obligation Bonds Payable			<u>361,800</u>	<u>0</u>	<u>(42,800)</u>	<u>319,000</u>	<u>48,200</u>
OPWC Loans:							
St. Martins Place Improvements	0.000%		32,076	73,980	0	106,056	2,651
Various Street Improvements	0.000%		0	51,900	0	51,900	0
Total OPWC Loans			<u>32,076</u>	<u>125,880</u>	<u>0</u>	<u>157,956</u>	<u>2,651</u>
Governmental Activities Other Long-Term Obligations:							
Capital Leases			0	184,024	(59,031)	124,993	61,312
Compensated Absences			199,236	38,247	(18,421)	219,062	23,694
Total Governmental Activities			<u>\$593,112</u>	<u>\$348,151</u>	<u>(\$120,252)</u>	<u>\$821,011</u>	<u>\$135,857</u>

The Energy Efficiency Improvement bonds were issued on October 2, 2012 in the amount of \$455,000 for the purpose of energy efficiency improvements to City facilities. The bonds carry an interest rate of 3.375 percent and reach maturity on March 1, 2027. The Ambulance bonds were issued on September 23, 2013 in the amount of \$120,000 for the purchase of an ambulance. The bonds carry an interest rate of 3.50 percent and reach maturity on June 1, 2023.

In 2020 the City obtained financing through the Ohio Public Works Commission for improvements to Alma, Davis, Delmar, and Olivette Streets at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2020, the City had received \$51,900 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2020, the loan has not been finalized and there is no amortization schedule for the loan.

Compensated absences will be paid from the General and Street Construction, Maintenance and Repair Funds.

The City's total debt margin was \$12,874,801 at December 31, 2020. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

Years	General Obligation Bonds			OPWC Loans		
	Principal	Interest	Totals	Principal	Interest	Totals
2021	\$48,200	\$10,102	\$58,302	\$2,651	\$0	\$2,651
2022	48,800	8,456	57,256	5,303	0	5,303
2023	42,000	6,788	48,788	5,303	0	5,303
2024	40,000	5,401	45,401	5,303	0	5,303
2025	45,000	3,966	48,966	5,303	0	5,303
2026-2030	95,000	3,291	98,291	26,515	0	26,515
2031-2035	0	0	0	26,515	0	26,515
2036-2040	0	0	0	26,512	0	26,512
2041	0	0	0	2,651	0	2,651
Totals	<u>\$319,000</u>	<u>\$38,004</u>	<u>\$357,004</u>	<u>\$106,056</u>	<u>\$0</u>	<u>\$106,056</u>

NOTE 12 - CAPITAL LEASES

The City has financed the purchase of a garbage truck with a capital lease. The original cost of the equipment and the related liability are reported on the Government-wide Statement of Net Position.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2020:

Year Ending December 31,	Capital Leases
2021	\$66,142
2022	<u>66,142</u>
Minimum Lease Payments	<u>132,284</u>
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(7,291)</u>
Present value of minimum lease payments	<u>\$124,993</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2020, the City contracted with Selective Insurance Company for insurance coverage as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Property	\$11,440,791	\$1,000
General Liability	3,000,000	0
Automobile	1,000,000	500
Umbrella Coverage	4,000,000	0
Public Official	1,000,000	5,000
Police Professional	1,000,000	5,000

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

There has been no significant reduction in insurance coverages from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

Ohio-Kentucky-Indiana-Regional Council of Governments – The City participates in the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). OKI members include Butler, Clermont, Hamilton and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. The purpose of OKI is to provide coordinated planning services to the appropriate federal, state and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. OKI also serves as an area-wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the counties who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county and municipal corporation, one individual selected by each county planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. If the organization were to dissolve, OKI's net position will revert to the said public bodies in proportion to each body's contribution towards the assets.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to OKI are made from the General Fund. No financial contributions were made by the City during 2020. To obtain financial information, write to Ronald Kuker, Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 720 East Pete Rose Way, Suite 420, Cincinnati, Ohio, 45202.

NOTE 15 – JOINT ECONOMIC DEVELOPMENT DISTRICTS

A. JEDD - Western Ridge

In 2007 a Joint Economic Development District (JEDD-WESTERN RIDGE) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2069, and may be extended for 2 terms of 20 years each. It sets aside 32.0635 acre of land located on Harrison Ave. and is further described by Hamilton County Auditor's Book 550, Page 320 Parcel 614. The original JEDD W-R authorized a maximum rate of 1% for persons employed in the District, with a cap on each individuals' earnings to be \$100,000 in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. After the set aside of fees to be held by the City of Cheviot the monies are divided as follows: 20% to the City of Cheviot and 80% to Green Township. Good Samaritan Hospital will be one of the main occupants along with Wellington Orthopedic, Tri Health and Tri State Center for Sight.

B. JEDD District II

In 2012 a Joint Economic Development District (JEDD II) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2062 and may by mutual consent extend the Contract for 2 additional terms of 10 years each. Is sets aside 20 acres of land located on Filview Circle at Harrison Avenue and is identified in Hamilton County Auditor's Book 550, Page 183, Parcels 028 & 030 consolidated, 072,420 and 502 inclusive. The original JEDD II authorized a maximum rate of 1% based on salaries or other personal service income earned by individuals from services performed within JEDD II, with a cap on earned income at 1% per annum, which cap shall, after the first year, be adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. After the set aside of fees to be held by the City of Cheviot the monies are divided as follows: 20% to the City of Cheviot and 80% to Green Township. The main occupants are The Christ Hospital, Children's Hospital, Christ Hospital Physicians LLC and OB_GNY Associates, Inc.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 15 – JOINT ECONOMIC DEVELOPMENT DISTRICTS (Continued)

C. JEDD District III

In 2013 a Joint Economic Development District (JEDD III Mercy-West) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2065 and may by mutual consent extend the Contract for two additional terms of ten years each. The areas to be included within the Green Township Mercy Hospitals West JEDD consist of thirteen parcels that contain 70 acres (plus or minus), presently listed in Hamilton County Auditor's Book 550, Page 74, Parcels 57,60,63,64,66,70,96,147,148 & 149, less and excepting the 1.176 acre parcel that forms a part of Auditor's Book 550, Page 74, Parcel 148, and which is more particularly described in Exhibit A, and is referred to as the Mercy Hospitals West JEDD territory.

The original JEDD III Mercy – West authorized a maximum rate of 2% based on salaries or other personal service income earned by individuals from services performed within the JEDD during the first 10 years of the JEDD, and a maximum rate of 1% based on salaries or other personal service income earned by individuals from services performed within the JEDD beginning in Year Eleven of the JEDD, with a cap on earned income at \$100,000 per annum, which cap shall, after the tenth year, be adjusted annually on January 1st of each year during the existence of the JEDD, based upon the Consumer Prices Index published by the U.S. Bureau of Labor Statistics on September 30th of the preceding year. After the set aside of fees to be held by the City of Cheviot the monies are divided as follows for the first 20 years of the contract, 10% to the City of Cheviot and 90% to Green Township. Beginning with the 21st year continuing until its expiration the following formula will be used: 15% to the City of Cheviot and 85% to Green Township. The main occupant is Mercy Hospital West.

D. JEDD IV - Harrison Greene

In 2014 a Joint Economic Development District (JEDD IV—HARRISON GREENE) between the City of Cheviot and Green Township was approved by the City Council of the City of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2065, and may be extended for 2 terms of 10 years each. It sets aside 6.4 (plus or minus) acres of land located on Harrison Ave. and is further described by Hamilton County Auditor's Book 550, Page 181 Parcel 20,108,464 and 465 . The original Jedd IV authorized A. a maximum rate of 1% for persons employed in the District, with a cap on each individuals' earnings to be \$100,000 in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. B. Net profits of businesses located within the JEDD IV (the Net Profits portion). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Green Township.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 15 – JOINT ECONOMIC DEVELOPMENT DISTRICTS (Continued)

E. JEDD - Liberty Nursing Health Care

In 2013 a Joint Economic Development District (JEDD- LIBERTY NURSING HEALTH CARE) between the City of Cheviot and Colerain Township was approved by the City Council of the City of Cheviot and the Trustees of Colerain Township. This contract will remain in effect until December 31, 2043 and may by mutual consent extend the Contract for 2 additional terms of 10 years each. It sets aside 1 parcel of land located at the intersection of Livingston and Blue Rock Roads, and is identified in Hamilton County Parcel number 510-0203-0005-00. The original Jedd Liberty Nursing Health Care authorized a maximum rate of 2% based on A. salaries or other personal service income earned by individuals from services performed within Jedd Liberty Nursing Health Care, with a cap on earned income at 1% per annum, which cap shall, after the first year, be adjusted annually on January 1st thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30th of each year next preceding the January 1st adjustment date. B. Net profits of businesses located within the Liberty Nursing Health Care JEDD (the Net Profits portion). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Colerain Township.

F. JEDD – UDF North Bend

In 2016 a Joint Economic Development District (JEDD V UDF NORTH BEND) between the City of Cheviot and Green Township was approved by the City Council of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2066 and may be extended for two additional terms of ten years each. It sets aside 2.21 acre (plus or minus) site located on North Bend Road and Westwood Northern Boulevard and is further described by Hamilton County Auditor's Book 550 Page 61 Parcel 161, 162, 185, 186, 187, 188, 191, 192, 263, 460. The original Jedd V authorized A. a maximum rate of 1% for persons employed in the District, with a cap on each individuals' earnings to be \$100,000 per annum in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Prices Index published by the U.S. Bureau of Labor Statistics on September 30th of the preceding year. B. Net profits of business located within the Jedd V (the Net Profits portion). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Green Township.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 15 – JOINT ECONOMIC DEVELOPMENT DISTRICTS (Continued)

G. JEDD – McAllister’s Deli

In 2018 a Joint Economic Development District (JEDD VI Mcallisters’ Deli) between the City of Cheviot and Green Township was approved by the City Council of Cheviot and the Trustees of Green Township. This contract will remain in effect until December 31, 2093 and may be extended for two additional terms of fifty years each. It sets aside 1.1171 acre (plus or minus) site located at 6135 Harrison Avenue and is further described by Hamilton County Auditor’s Book 550 Page 220 Parcel 1179. The original Jedd VI (McAllisters’) authorized A. a maximum rate of 1% of salaries or other personal service income earned by individuals from services performed within the JEDD (the “Earnings Tax”), with a cap on earned income at \$100,000 per annum, in the first year of taxation and adjusted annually on January 1st thereafter based on the Consumer Prices Index (CPI-U) published by the U.S. Bureau of Labor Statistics on September 30th of the preceding year. B. JEDD VI (McAllisters’) authorized a maximum rate of one (1%) based net profits of all business operating with the JEDD VI District, Net profits of business located within the Jedd VI (the Net Profits Tax). After the set aside of fees to be held by the City of Cheviot the monies are divided as follows 10% to the City of Cheviot and 90% to Green Township.

NOTE 16 – SIGNIFICANT COMMITMENTS

At December 31, 2020 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$44,758
Other Governmental Funds	35,051
Total Governmental Funds	<u>\$79,809</u>

NOTE 17 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

NOTE 18 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized 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.

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CITY OF CHEVIOT, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHEVIOT, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Seven Years***

Ohio Public Employees Retirement System

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.007864%	0.007864%	0.007980%
City's proportionate share of the net pension liability (asset)	\$927,063	\$948,486	\$1,382,253
City's covered payroll	\$956,723	\$968,492	\$989,350
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	96.90%	97.93%	139.71%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.058138%	0.058138%	0.061767%
City's proportionate share of the net pension liability (asset)	\$2,831,518	\$3,011,806	\$3,973,489
City's covered payroll	\$1,283,343	\$1,152,487	\$1,261,131
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	220.64%	261.33%	315.07%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
0.008172%	0.007698%	0.007475%	0.007300%
\$1,855,764	\$1,207,624	\$2,047,252	\$1,442,895
\$1,009,567	\$1,029,546	\$1,009,686	\$1,027,679
183.82%	117.30%	202.76%	140.40%
77.25%	84.66%	74.70%	82.17%

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
0.061819%	0.063506%	0.061753%	0.065327%
\$3,915,537	\$3,897,648	\$5,040,676	\$4,400,782
\$1,279,894	\$1,408,692	\$1,436,375	\$1,557,820
305.93%	276.69%	350.93%	282.50%
68.36%	70.91%	63.07%	69.89%

CITY OF CHEVIOT, OHIO

***Schedule of City Pension Contributions
Last Eight Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$124,374	\$116,219	\$118,722
Contributions in relation to the contractually required contribution	<u>124,374</u>	<u>116,219</u>	<u>118,722</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$956,723	\$968,492	\$989,350
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$229,294	\$242,898	\$264,651
Contributions in relation to the contractually required contribution	<u>229,294</u>	<u>242,898</u>	<u>264,651</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$1,283,343	\$1,152,487	\$1,261,131
Contributions as a percentage of covered payroll	17.87%	21.08%	20.99%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$121,148	\$133,841	\$141,356	\$143,875	\$141,818
<u>121,148</u>	<u>133,841</u>	<u>141,356</u>	<u>143,875</u>	<u>141,818</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,009,567	\$1,029,546	\$1,009,686	\$1,027,679	\$1,012,986
12.00%	13.00%	14.00%	14.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$268,611	\$294,324	\$301,986	\$325,351	\$327,588
<u>268,611</u>	<u>294,324</u>	<u>301,986</u>	<u>325,351</u>	<u>327,588</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,279,894	\$1,408,692	\$1,436,375	\$1,557,820	\$1,584,538
20.99%	20.89%	21.02%	20.89%	20.67%

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CITY OF CHEVIOT, OHIO

Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability

Last Four Years

Ohio Public Employees Retirement System

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.007794%	0.007306%	0.007057%	0.006921%
City's proportionate share of the net OPEB liability (asset)	\$787,249	\$793,399	\$920,066	\$955,970
City's covered payroll	\$1,009,567	\$1,029,546	\$1,009,686	\$1,027,679
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	77.98%	77.06%	91.12%	93.02%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%	47.80%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.061819%	0.063506%	0.061753%	0.065327%
City's proportionate share of the net OPEB liability (asset)	\$2,934,397	\$3,598,161	\$562,357	\$645,286
City's covered payroll	\$1,279,894	\$1,408,692	\$1,436,375	\$1,557,820
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	229.27%	255.43%	39.15%	41.42%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%	47.08%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Eight Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$9,567	\$19,370	\$19,787
Contributions in relation to the contractually required contribution	<u>9,567</u>	<u>19,370</u>	<u>19,787</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$956,723	\$968,492	\$989,350
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$46,287	\$5,762	\$6,306
Contributions in relation to the contractually required contribution	<u>46,287</u>	<u>5,762</u>	<u>6,306</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$1,283,343	\$1,152,487	\$1,261,131
Contributions as a percentage of covered payroll	3.61%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

See notes to the required supplementary information

CITY OF CHEVIOT, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$20,191	\$10,295	\$0	\$0	\$0
<u>20,191</u>	<u>10,295</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,009,567	\$1,029,546	\$1,009,686	\$1,027,679	\$1,012,986
2.00%	1.00%	0.00%	0.00%	0.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$6,399	\$7,044	\$7,182	\$7,789	\$7,923
<u>6,399</u>	<u>7,044</u>	<u>7,182</u>	<u>7,789</u>	<u>7,923</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,279,894	\$1,408,692	\$1,436,375	\$1,557,820	\$1,584,538
0.50%	0.50%	0.50%	0.50%	0.50%

CITY OF CHEVIOT, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2020

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

CITY OF CHEVIOT, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2020

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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CITY OF CHEVIOT, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2020

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2020.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020: There were no changes in benefit terms.

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(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 Cheviot
Hamilton County
3814 Harrison Avenue
Cheviot, Ohio 45211

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, (the City) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2023. We noted in 2020 the financial impact of COVID-19 and the continuing emergency measures 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 purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

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
March 10, 2023

CITY OF CHEVIOT
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to deficiencies in the City's internal controls over financial reporting, the ARPA Fund Accounts Payable, General Government Expenditures, and Intergovernmental Revenue were each understated and the Unearned Revenue was overstated all by \$30,944 in 2021. The financial statements have been adjusted for this error.

In addition to the adjustment listed above, we also identified additional immaterial misstatements ranging from \$8,300 to \$250,000 that we have brought to the City's attention. The financial statements were not adjusted for these immaterial errors.

The City did not have procedures in place for effective monitoring of the City's financial activity, and the accuracy of accounting and financial reporting. It is important that the Council take an active role in monitoring the posting and reporting of such activity. Failure to accurately post and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and financial statement preparation.

Officials' Response:

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF CHEVIOT

HAMILTON 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 3/23/2023

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