



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF CHEVIOT
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management for the Year Ended December 31, 2019:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	20
Statement of Net Position Fiduciary Funds	21
Notes to the Basic Financial Statements	23
Required Supplemental Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability (OPERS and OP&F).....	72
Schedule of the City Pension Contributions (OPERS and OP&F).....	74
Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (OPERS and OP&F).....	77
Schedule of the City's OPEB Contributions (OPERS and OP&F)	78
Notes to Required Supplemental Information	80

**CITY OF CHEVIOT
HAMILTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Prepared by Management for the Year Ended December 31, 2018:	
Management’s Discussion and Analysis	83
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	92
Statement of Activities.....	94
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	96
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	97
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	98
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	99
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	100
Statement of Net Position Fiduciary Funds.....	101
Notes to the Basic Financial Statements.....	102
Required Supplemental Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability (OPERS and OP&F).....	150
Schedule of the City Pension Contributions (OPERS and OP&F).....	152
Schedule of the City’s Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (OPERS and OP&F).....	155
Schedule of the City’s OPEB Contributions (OPERS and OP&F).....	156
Notes to Required Supplemental Information	158
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	161

**CITY OF CHEVIOT
HAMILTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Prepared by Management:	
Summary Schedule of Prior Audit Findings	163

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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 years ended December 31, 2019 and 2018, 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, Hamilton County, Ohio, as of December 31, 2019 and 2018, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the 2018 financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Other Postemployment Benefits*. We did not modify our opinion regarding this matter.

As discussed in Note 17 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will 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 August 17, 2020, 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

August 17, 2020

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2019***

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, 2019. 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 2019 are as follows:

- ❑ Net position of governmental activities increased \$2,364,811, to a year-end balance of \$3,014,490.
- ❑ General revenues accounted for \$4,124,770 in revenue or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,032,381, or 33% of total revenues of \$6,157,151.
- ❑ The City had \$3,792,340 in expenses related to governmental activities; only \$2,032,381 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,124,770 were adequate to provide for these programs.
- ❑ The City's general fund had \$4,745,065 in revenues and \$4,854,591 in expenditures. The general fund's fund balance decreased from \$1,092,755 to \$738,785.

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, 2019*

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, 2019***

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 2019 compared to 2018.

	Governmental Activities	
	2019	2018
Current and Other Assets	\$4,949,728	\$5,114,984
Capital assets, Net	7,216,250	6,967,510
Total Assets	<u>12,165,978</u>	<u>12,082,494</u>
Deferred Outflows of Resources	<u>2,542,682</u>	<u>1,491,417</u>
Net Pension Liability	7,087,928	5,105,272
Net OPEB Liability	1,482,423	4,391,560
Other Long-Term Liabilities	593,112	707,487
Other Liabilities	326,231	190,510
Total Liabilities	<u>9,489,694</u>	<u>10,394,829</u>
Deferred Inflows of Resources	<u>2,204,476</u>	<u>2,529,403</u>
Net Position		
Net Investment in Capital Assets	7,137,374	6,783,124
Restricted	1,582,044	1,305,774
Unrestricted	(5,704,928)	(7,439,219)
Total Net Position	<u>\$3,014,490</u>	<u>\$649,679</u>

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, 2019***

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, 2019**

Unaudited

Change in Net Position – The following table shows the change in net position for 2019 compared to 2018:

	Governmental Activities	
	2019	2018
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,013,392	\$1,123,177
Operating Grants and Contributions	517,151	391,125
Capital Grants and Contributions	501,838	2,175,928
Total Program Revenues	2,032,381	3,690,230
General revenues:		
Property Taxes	1,780,090	1,807,877
Municipal Income Taxes	1,863,304	2,065,800
Other Local Taxes	62,126	68,506
Intergovernmental Revenues, Unrestricted	335,388	294,343
Miscellaneous	83,862	120,933
Total General Revenues	4,124,770	4,357,459
Total Revenues	6,157,151	8,047,689
Program Expenses		
Security of Persons and Property	286,854	3,035,804
Public Health and Welfare Services	23,837	21,816
Leisure Time Activities	177,199	355,586
Community Environment	12,398	7,038
Public Works	419,595	414,833
Transportation	880,566	837,467
General Government	1,974,763	2,822,757
Interest and Fiscal Charges	17,128	19,639
Total Expenses	3,792,340	7,514,940
Change in Net Position	2,364,811	532,749
Beginning Net Position	649,679	116,930
Ending Net Position	\$3,014,490	\$649,679

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Unaudited

Governmental Activities

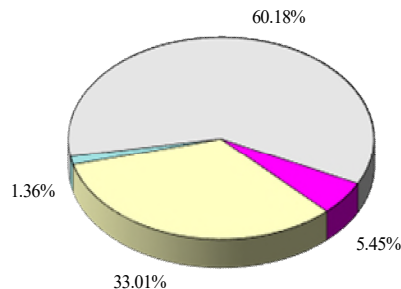
Governmental activities net position increased \$2,364,811. An increase in operating grants was due to an increase in gas tax revenue, which can be attributed to an increase in the tax rate. Capital grants received in the prior year for improvements to Westwood Northern Boulevard as well as the construction of a new splash park, resulted in a subsequent decrease in capital grants and contributions in the current year. Costs in the prior year for the Westwood Northern Boulevard project related to township and county streets resulted in a subsequent decrease in general government expense in the current year.

A substantial decrease in security of persons and property expense was the direct result of changes in the Ohio Police and Fire OPEB liability.

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 30% and 29% respectively, of revenues for governmental activities in 2019. The City's reliance upon tax revenues is demonstrated by the following graph indicating 60% of total revenues from general tax revenues:

Revenue Sources	2019	Percent of Total
General Tax Revenues	\$3,705,520	60.18%
Intergovernmental, Unrestricted	335,388	5.45%
Program Revenues	2,032,381	33.01%
General Other	83,862	1.36%
Total Revenue	<u>\$6,157,151</u>	<u>100.00%</u>



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,178,744, which is a decrease from last year's balance of \$2,261,369. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2019 and 2018:

	Fund Balance December 31, 2019	Fund Balance December 31, 2018	Increase (Decrease)
General	\$738,785	\$1,092,755	(\$353,970)
3 Mill Project	842,969	592,213	250,756
Other Governmental	596,990	576,401	20,589
Total	<u>\$2,178,744</u>	<u>\$2,261,369</u>	<u>(\$82,625)</u>

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2019***

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:

	2019 Revenues	2018 Revenues	Increase (Decrease)
Property Taxes	\$1,465,954	\$1,463,496	\$2,458
Municipal Income Taxes	1,946,011	2,110,414	(164,403)
Other Local Taxes	62,126	68,506	(6,380)
Intergovernmental Revenues	316,330	496,626	(180,296)
Charges for Services	687,814	796,194	(108,380)
Rental Revenue	80,973	81,993	(1,020)
Licenses, Permits and Fees	16,239	9,529	6,710
Investment Earnings	3	0	3
Fines and Forfeitures	74,039	74,594	(555)
All Other Revenue	95,576	101,942	(6,366)
Total	\$4,745,065	\$5,203,294	(\$458,229)

General Fund revenues decreased \$458,229, or 9%. Grants received in the prior year for a splash park resulted in a subsequent decrease in intergovernmental revenues in the current year. A decrease in charges for services can be attributed to a decrease in refuse collection fees and EMS charges.

	2019 Expenditures	2018 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,582,928	\$2,430,457	\$152,471
Public Health and Welfare Services	7,112	6,949	163
Leisure Time Activities	81,113	358,652	(277,539)
Public Works	393,441	392,333	1,108
Transportation	151,961	155,382	(3,421)
General Government	1,638,036	1,640,800	(2,764)
Total	\$4,854,591	\$4,984,573	(\$129,982)

General Fund expenditures decreased \$129,982, or 3% when compared with the previous year. An increase in security of persons and property can be attributed to an increase in salaries and benefits in the police and fire departments. An increase in leisure time activities in the prior year which was attributed to costs for a splash park, resulted in a subsequent decrease in the current year.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2019***

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 2019 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 5% less than final appropriations, which can mostly be attributed to police salaries being under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019 the City had \$7,216,250 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, furniture and equipment. The following table shows 2019 and 2018 balances:

	Governmental Activities		Increase (Decrease)
	2019	2018	
Land	\$275,950	\$275,950	\$0
Construction in Progress	32,076	0	32,076
Land Improvements	545,883	544,633	1,250
Buildings and Improvements	2,418,001	2,417,018	983
Furniture and Equipment	5,152,934	5,003,451	149,483
Infrastructure	6,828,958	6,219,969	608,989
Less: Accumulated Depreciation	<u>(8,037,552)</u>	<u>(7,493,511)</u>	<u>(544,041)</u>
Totals	<u>\$7,216,250</u>	<u>\$6,967,510</u>	<u>\$248,740</u>

Governmental activities capital asset additions included computer equipment, police equipment, fire equipment, and improvements to Trevor and Alma 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, 2019***

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Governmental Activities:		
General Obligation Bonds	\$361,800	\$404,200
OPWC Loans	32,076	0
Capital Leases	0	125,186
Compensated Absences	199,236	178,101
Total Governmental Activities	<u>\$593,112</u>	<u>\$707,487</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, 2019, 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, 2019

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 1,983,999
Receivables:	
Property Taxes	1,837,844
Income Taxes	419,775
Other Local Taxes	15,600
Accounts	165,712
Intergovernmental Receivable	420,789
Special Assessments	13,708
Inventory of Supplies at Cost	69,849
Prepaid Items	22,452
Non-Depreciable Capital Assets	308,026
Depreciable Capital Assets, Net	6,908,224
Total Assets	12,165,978
Deferred Outflows of Resources:	
Pension	2,056,153
OPEB	486,529
Total Deferred Outflows of Resources	2,542,682
Liabilities:	
Accounts Payable	77,090
Accrued Wages and Benefits	116,338
Intergovernmental Payable	45,335
Contracts Payable	70,821
Unearned Revenue	12,966
Accrued Interest Payable	3,681
Noncurrent Liabilities:	
Due Within One Year	61,221
Due in More Than One Year:	
Net Pension Liability	7,087,928
Net OPEB Liability	1,482,423
Other Amounts Due in More Than One Year	531,891
Total Liabilities	9,489,694

CITY OF CHEVIOT, OHIO

	Governmental Activities
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	1,719,183
Pension	180,320
OPEB	304,973
Total Deferred Inflows of Resources	<u>2,204,476</u>
Net Position:	
Net Investment in Capital Assets	7,137,374
Restricted For:	
Capital Projects	877,402
Other Purposes	704,642
Unrestricted (Deficit)	(5,704,928)
Total Net Position	<u>\$ 3,014,490</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Activities
For the Year Ended December 31, 2019

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 286,854	\$ 237,575	\$ 0	\$ 13,963
Public Health and Welfare Services	23,837	0	0	0
Leisure Time Activities	177,199	118,662	8,000	0
Community Environment	12,398	0	0	0
Public Works	419,595	499,246	0	0
Transportation	880,566	36,119	509,151	487,875
General Government	1,974,763	121,790	0	0
Interest and Fiscal Charges	17,128	0	0	0
Total Governmental Activities	\$ 3,792,340	\$ 1,013,392	\$ 517,151	\$ 501,838

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

\$	(35,316)
	(23,837)
	(50,537)
	(12,398)
	79,651
	152,579
	(1,852,973)
	(17,128)
\$	(1,759,959)

1,461,029

319,061

1,863,304

62,126

335,388

3

83,859

4,124,770

2,364,811

649,679

\$ 3,014,490

CITY OF CHEVIOT, OHIO

**Balance Sheet
Governmental Funds
December 31, 2019**

	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 571,850	\$ 909,504	\$ 502,645	\$ 1,983,999
Receivables:				
Property Taxes	1,515,679	322,165	0	1,837,844
Income Taxes	419,775	0	0	419,775
Other Local Taxes	15,600	0	0	15,600
Accounts	165,712	0	0	165,712
Intergovernmental	158,098	4,862	257,829	420,789
Special Assessments	0	0	13,708	13,708
Inventory of Supplies, at Cost	22,558	0	47,291	69,849
Prepaid Items	22,452	0	0	22,452
Total Assets	\$ 2,891,724	\$ 1,236,531	\$ 821,473	\$ 4,949,728
Liabilities:				
Accounts Payable	\$ 50,776	\$ 0	\$ 26,314	\$ 77,090
Accrued Wages and Benefits Payable	99,481	0	16,857	116,338
Intergovernmental Payable	44,703	0	632	45,335
Contracts Payable	0	66,535	4,286	70,821
Unearned Revenue	12,966	0	0	12,966
Total Liabilities	207,926	66,535	48,089	322,550
Deferred Inflows of Resources:				
Unavailable Amounts	526,424	26,433	176,394	729,251
Property Tax Levy for Next Fiscal Year	1,418,589	300,594	0	1,719,183
Total Deferred Inflows of Resources	1,945,013	327,027	176,394	2,448,434
Fund Balance:				
Nonspendable	48,417	0	47,291	95,708
Restricted	0	842,969	516,741	1,359,710
Committed	0	0	32,958	32,958
Assigned	656,201	0	0	656,201
Unassigned	34,167	0	0	34,167
Total Fund Balance	738,785	842,969	596,990	2,178,744
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,891,724	\$ 1,236,531	\$ 821,473	\$ 4,949,728

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, 2019***

Total Governmental Fund Balances \$ 2,178,744

***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. 7,216,250

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 729,251

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	2,056,153	
Deferred Inflows - Pension	(180,320)	
Net Pension Liability	(7,087,928)	
Deferred Outflows - OPEB	486,529	
Deferred Inflows - OPEB	(304,973)	
Net OPEB Liability	<u>(1,482,423)</u>	(6,512,962)

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	(361,800)	
OPWC Loan Payable	(32,076)	
Compensated Absences Payable	(199,236)	
Accrued Interest Payable	<u>(3,681)</u>	<u>(596,793)</u>

Net Position of Governmental Activities **\$ 3,014,490**

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, 2019

	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 1,465,954	\$ 320,134	\$ 0	\$ 1,786,088
Municipal Income Taxes	1,946,011	0	0	1,946,011
Other Local Taxes	62,126	0	0	62,126
Intergovernmental Revenues	316,330	8,721	961,220	1,286,271
Charges for Services	687,814	0	73,751	761,565
Rental Revenue	80,973	0	0	80,973
Licenses, Permits and Fees	16,239	0	0	16,239
Investment Earnings	3	0	0	3
Special Assessments	0	0	41,123	41,123
Fines and Forfeitures	74,039	0	15,939	89,978
All Other Revenue	95,576	0	21,713	117,289
Total Revenue	4,745,065	328,855	1,113,746	6,187,666
Expenditures:				
Current:				
Security of Persons and Property	2,582,928	0	54,968	2,637,896
Public Health and Welfare Services	7,112	0	16,725	23,837
Leisure Time Activities	81,113	0	74,803	155,916
Community Environment	0	0	12,398	12,398
Public Works	393,441	0	0	393,441
Transportation	151,961	0	498,019	649,980
General Government	1,638,036	0	1,730	1,639,766
Capital Outlay	0	78,099	519,951	598,050
Debt Service:				
Principal Retirement	0	0	167,586	167,586
Interest and Fiscal Charges	0	0	17,500	17,500
Total Expenditures	4,854,591	78,099	1,363,680	6,296,370
Excess (Deficiency) of Revenues Over (Under) Expenditures	(109,526)	250,756	(249,934)	(108,704)
Other Financing Sources (Uses):				
OPWC Loan Issuance	0	0	32,076	32,076
Transfers In	0	0	246,386	246,386
Transfers Out	(246,386)	0	0	(246,386)
Total Other Financing Sources (Uses)	(246,386)	0	278,462	32,076
Net Change in Fund Balance	(355,912)	250,756	28,528	(76,628)
Fund Balance at Beginning of Year	1,092,755	592,213	576,401	2,261,369
Increase (Decrease) in Inventory	1,942	0	(7,939)	(5,997)
Fund Balance End of Year	\$ 738,785	\$ 842,969	\$ 596,990	\$ 2,178,744

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, 2019***

Net Change in Fund Balances - Total Governmental Funds \$ (76,628)

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	807,715	
Depreciation Expense	(558,975)	248,740

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (30,515)

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

Pension	469,226	
OPEB	7,789	477,015

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	(1,093,196)	
OPEB	2,730,645	1,637,449

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	125,186	
OPWC Loan Issuance	(32,076)	
Bond Principal Retirement	42,400	
Change in Accrued Interest Payable	372	135,882

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	(21,135)	
Change in Inventory	(5,997)	(27,132)

Change in Net Position of Governmental Activities **\$ 2,364,811**

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, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,597,658	\$ 1,415,762	\$ 1,465,954	\$ 50,192
Municipal Income Taxes	2,052,400	2,052,400	2,030,727	(21,673)
Other Local Taxes	65,000	65,000	62,511	(2,489)
Intergovernmental Revenues	113,051	298,708	323,697	24,989
Charges for Services	732,000	732,000	714,556	(17,444)
Rental Revenue	70,400	70,400	94,853	24,453
Licenses, Permits and Fees	13,350	13,350	16,239	2,889
Investment Earnings	0	0	3	3
Fines and Forfeitures	73,800	73,800	74,039	239
All Other Revenues	51,250	55,965	82,576	26,611
Total Revenues	<u>4,768,909</u>	<u>4,777,385</u>	<u>4,865,155</u>	<u>87,770</u>
Expenditures:				
Current:				
Security of Persons and Property	2,866,171	2,883,171	2,746,301	136,870
Public Health and Welfare Services	7,114	7,114	7,112	2
Leisure Time Activities	101,052	105,052	82,134	22,918
Public Works	414,628	414,628	390,937	23,691
Transportation	174,000	154,000	151,961	2,039
General Government	1,702,128	1,712,181	1,647,930	64,251
Total Expenditures	<u>5,265,093</u>	<u>5,276,146</u>	<u>5,026,375</u>	<u>249,771</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(496,184)	(498,761)	(161,220)	337,541
Other Financing Sources (Uses):				
Transfers In	255,654	272,654	267,000	(5,654)
Transfers Out	(503,000)	(513,662)	(513,386)	276
Total Other Financing Sources (Uses):	<u>(247,346)</u>	<u>(241,008)</u>	<u>(246,386)</u>	<u>(5,378)</u>
Net Change in Fund Balance	(743,530)	(739,769)	(407,606)	332,163
Fund Balance at Beginning of Year	704,963	704,963	704,963	0
Prior Year Encumbrances	74,820	74,820	74,820	0
Fund Balance at End of Year	<u>\$ 36,253</u>	<u>\$ 40,014</u>	<u>\$ 372,177</u>	<u>\$ 332,163</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2019

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 796,313
Cash and Cash Equivalents in Segregated Accounts	<u>8,082</u>
Total Assets	<u>804,395</u>
Liabilities:	
Intergovernmental Payable	201
Undistributed Monies	<u>804,194</u>
Total Liabilities	<u>\$ 804,395</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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, 2019 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 an agency 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, 2019

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 agency funds.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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, 2019

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, 2019 but which are not intended to finance 2019 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, 2019

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 agency 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 2019.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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, 2019**

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)	(\$355,912)
Increase (Decrease):	
Accrued Revenues at December 31, 2019 received during 2020	(329,119)
Accrued Revenues at December 31, 2018 received during 2019	438,549
Accrued Expenditures at December 31, 2019 paid during 2020	207,194
Accrued Expenditures at December 31, 2018 paid during 2019	(168,704)
2018 Prepays for 2019	22,511
2019 Prepays for 2020	(22,452)
Outstanding Encumbrances	<u>(199,673)</u>
Budget Basis	<u><u>(\$407,606)</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, 2019

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, 2019, 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, 2019***

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, 2019

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, 2019

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, 2019

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 2019.

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, 2019

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, “Certain Asset Retirement Obligations,” Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,” and Statement No. 90, “Majority Equity Interests— an amendment of GASB Statements No. 14 and No. 61.”

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 88 revises the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements.

GASB Statement No. 90 establishes criteria for reporting a government’s majority equity interest in a legally separate organization.

These changes were incorporated in the City’s 2019 financial statements; however, there was no effect on beginning net position/fund balance.

The City elected to defer implementation of GASB Statement No. 84, “Fiduciary Activities” until the financial reporting period ended December 31, 2020, in accordance with the guidance contained in GASB Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance.”

This space intentionally left blank

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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	\$22,558	\$0	\$47,291	\$69,849
Prepaid Items	22,452	0	0	22,452
Unclaimed Funds	3,407	0	0	3,407
Total Nonspendable	48,417	0	47,291	95,708
Restricted:				
Street Improvements	0	0	293,131	293,131
Parking Lot Operations	0	0	79,352	79,352
Sidewalk Maintenance	0	0	50,576	50,576
Shade Tree Program	0	0	534	534
Law Enforcement	0	0	72,735	72,735
Court Improvements	0	0	632	632
EMS Program	0	0	1,438	1,438
Community Environment	0	0	10,324	10,324
Recycling Program	0	0	19	19
Capital Improvements	0	842,969	8,000	850,969
Total Restricted	0	842,969	516,741	1,359,710
Committed:				
Swimming Pool Operations	0	0	1,431	1,431
Debt Service	0	0	1,527	1,527
Capital Improvements	0	0	30,000	30,000
Total Committed	0	0	32,958	32,958
Assigned:				
Other Purposes	656,201	0	0	656,201
Unassigned (Deficits):	34,167	0	0	34,167
Total Fund Balances	\$738,785	\$842,969	\$596,990	\$2,178,744

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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, 2019

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 \$2,788,394 and the bank balance was \$2,877,011. Federal depository insurance covered \$250,000 of the bank balance and \$2,627,011 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 2019 were levied after October 1, 2018 on assessed values as of January 1, 2018, 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, 2019***

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, 2019 was \$20.13 per \$1,000 of assessed value. The assessed value upon which the 2019 tax levy was based was \$110,026,710. This amount constitutes \$101,367,730 in real property assessed value and \$8,658,980 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, 2019.

	<u>Total Amount of Taxes Abated For the year 2019</u>
<i>Community Reinvestment Area (CRA)</i>	
Retail	\$1,677
	<u>\$1,677</u>

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

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, 2019 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 2019:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$0	\$246,386
Other Governmental Funds	<u>246,386</u>	<u>0</u>
Total Governmental Funds	<u><u>\$246,386</u></u>	<u><u>\$246,386</u></u>

Transfers made during the year ended December 31, 2019 consisted of amounts transferred from the General Fund to other funds to provide additional resources for operations and debt service.

This space intentionally left blank

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2019:

Historical Cost:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
Capital assets not being depreciated:				
Land	\$275,950	\$0	\$0	\$275,950
Construction in Progress	0	32,076	0	32,076
Sub-total	275,950	32,076	0	308,026
Capital assets being depreciated:				
Land Improvements	544,633	2,350	(1,100)	545,883
Buildings and Improvements	2,417,018	983	0	2,418,001
Furniture and Equipment	5,003,451	163,317	(13,834)	5,152,934
Infrastructure	6,219,969	608,989	0	6,828,958
Total Cost	<u>\$14,461,021</u>	<u>\$807,715</u>	<u>(\$14,934)</u>	<u>\$15,253,802</u>
Accumulated Depreciation:				
Class	December 31, 2018	Additions	Deletions	December 31, 2019
Land Improvements	(\$392,650)	(\$9,570)	\$1,100	(\$401,120)
Buildings and Improvements	(1,794,693)	(45,654)	0	(1,840,347)
Furniture and Equipment	(3,801,885)	(237,947)	13,834	(4,025,998)
Infrastructure	(1,504,283)	(265,804)	0	(1,770,087)
Total Depreciation	<u>(\$7,493,511)</u>	<u>(\$558,975) *</u>	<u>\$14,934</u>	<u>(\$8,037,552)</u>
Net Value:	<u>\$6,967,510</u>			<u>\$7,216,250</u>

* Depreciation was charged to governmental functions as follows:

Security of Persons and Property	\$158,349
Leisure Time Activities	21,260
Public Works	23,225
Transportation	308,392
General Government	47,749
Total Depreciation Expense	<u>\$558,975</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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, 2019

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, 2019**

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 2.25% 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>
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2019 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 \$143,875 for 2019.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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 CAFR 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, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

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>
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2019 through December 31, 2019	12.25 %	12.25 %
2019 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, 2019 through December 31, 2019	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$325,351 for 2019.

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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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	\$2,047,252	\$5,040,676	\$7,087,928
Proportion of the Net Pension Liability-2019	0.007475%	0.061753%	
Proportion of the Net Pension Liability-2018	0.007698%	0.063506%	
Percentage Change	<u>(0.000223%)</u>	<u>(0.001753%)</u>	
Pension Expense	\$388,757	\$704,439	\$1,093,196

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2019, 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	\$178,219	\$133,635	\$311,854
Differences between expected and actual experience	95	207,101	207,196
Net difference between projected and actual earnings on pension plan investments	277,868	621,006	898,874
Change in proportionate share	0	169,003	169,003
City contributions subsequent to the measurement date	<u>143,875</u>	<u>325,351</u>	<u>469,226</u>
Total Deferred Outflows of Resources	<u>\$600,057</u>	<u>\$1,456,096</u>	<u>\$2,056,153</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$26,881	\$4,707	\$31,588
Change in proportionate share	<u>24,264</u>	<u>124,468</u>	<u>148,732</u>
Total Deferred Inflows of Resources	<u>\$51,145</u>	<u>\$129,175</u>	<u>\$180,320</u>

\$469,226 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, 2020. 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:			
2020	\$160,403	\$325,449	\$485,852
2021	89,628	189,651	279,279
2022	25,780	191,843	217,623
2023	129,226	277,840	407,066
2024	<u>0</u>	<u>16,787</u>	<u>16,787</u>
Total	<u>\$405,037</u>	<u>\$1,001,570</u>	<u>\$1,406,607</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, 2019**

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, 2018 and December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	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
	December 31, 2017
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	7.5 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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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 2018 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	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

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	\$3,024,385	\$2,047,252	\$1,235,244

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, compared with January 1, 2017, are presented below.

	January 1, 2018	January 1, 2017
Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
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 increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2018 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 Conduent 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, 2018 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, 2019**

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, 2018 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

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, 2019***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2018, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2017 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	\$6,625,622	\$5,040,676	\$3,716,226

This Space Intentionally Left Blank

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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 twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' 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 2019, 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, 2019

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 2019. 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 2019 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 2019.

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 healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government 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, 2019***

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 2019, 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.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$7,789 for 2019.

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, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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	\$920,066	\$562,357	\$1,482,423
Proportion of the Net OPEB Liability-2019	0.007057%	0.061753%	
Proportion of the Net OPEB Liability-2018	<u>0.007306%</u>	<u>0.063506%</u>	
Percentage Change	<u>(0.000249%)</u>	<u>(0.001753%)</u>	
OPEB Expense	\$40,346	(\$2,770,991)	(\$2,730,645)

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2019, 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	\$29,664	\$291,498	\$321,162
Differences between expected and actual experience	312	0	312
Net difference between projected and actual earnings on OPEB plan investments	42,179	19,036	61,215
Change in proportionate share	0	96,051	96,051
City contributions subsequent to the measurement date	0	7,789	7,789
Total Deferred Outflows of Resources	<u>\$72,155</u>	<u>\$414,374</u>	<u>\$486,529</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$2,497	\$15,067	\$17,564
Changes in assumptions	0	155,686	155,686
Change in proportionate share	17,406	114,317	131,723
Total Deferred Inflows of Resources	<u>\$19,903</u>	<u>\$285,070</u>	<u>\$304,973</u>

\$7,789 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$17,032	\$22,321	\$39,353
2021	7,027	22,321	29,348
2022	6,946	22,317	29,263
2023	21,247	28,080	49,327
2024	0	19,001	19,001
2025	0	9,794	9,794
2026	0	(2,319)	(2,319)
Total	<u>\$52,252</u>	<u>\$121,515</u>	<u>\$173,767</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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, 2017, rolled forward to the measurement date of December 31, 2018. 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	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.50 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.5 percent, initial 3.25 percent, ultimate in 2028
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.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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 2018, 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 a loss of 5.60 percent for 2018.

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 2018 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 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 3.71 percent.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 3.96 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 (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$1,177,108	\$920,066	\$715,650

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 2019 is 10.00 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 3.25 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	\$884,383	\$920,066	\$961,163

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2019***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, with actuarial liabilities rolled forward to December 31, 2018	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
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	4.66 percent	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increased 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, 2019

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, 2018, are summarized below:

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
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 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 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 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$685,103	\$562,357	\$459,320

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 11 - DEBT AND OTHER LONG-TERM OBLIGATIONS

Activity in Debt and Other Long-Term Obligations in 2019 was as follows:

			Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Amount Due Within One Year
	Maturity Date						
Governmental Activities Debt:							
General Obligation Bonds Payable:							
Energy Efficiency Improvements	3.375%	2027	\$345,000	\$0	(\$30,000)	\$315,000	\$30,000
Ambulance	3.500%	2023	59,200	0	(12,400)	46,800	12,800
Total General Obligation Bonds Payable			<u>404,200</u>	<u>0</u>	<u>(42,400)</u>	<u>361,800</u>	<u>42,800</u>
OPWC Loans:							
St. Martins Place Improvements	0.000%		0	32,076	0	32,076	0
Total OPWC Loans			<u>0</u>	<u>32,076</u>	<u>0</u>	<u>32,076</u>	<u>0</u>
Governmental Activities Other Long-Term Obligations:							
Capital Leases			125,186	0	(125,186)	0	0
Compensated Absences			178,101	35,399	(14,264)	199,236	18,421
Total Governmental Activities			<u>\$707,487</u>	<u>\$67,475</u>	<u>(\$181,850)</u>	<u>\$593,112</u>	<u>\$61,221</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 2019 the City obtained financing through the Ohio Public Works Commission for improvements to St. Martins Place at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2019, the City had received \$32,076 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2019, 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 \$11,191,005 at December 31, 2019. 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, 2019***

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019 are as follows:

Years	General Obligation Bonds		
	Principal	Interest	Totals
2020	\$42,800	\$11,657	\$54,457
2021	48,200	10,102	58,302
2022	48,800	8,456	57,256
2023	42,000	6,788	48,788
2024	40,000	5,401	45,401
2025-2027	140,000	7,257	147,257
Totals	<u>\$361,800</u>	<u>\$49,661</u>	<u>\$411,461</u>

This Space Intentionally Left Blank

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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 2019, 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 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, 2019

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to OKI are made from the General Fund. No financial contributions were made by the City during 2019. 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 Seven Hills OB_GNY Associates, Inc.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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, 2019

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, 2019**

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, 2019 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$199,675
Other Governmental Funds	37,843
Total Governmental Funds	<u>\$237,518</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.

NOTE 17 – SUBSEQUENT EVENT

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 ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plans 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 those 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 any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHEVIOT, OHIO

Schedule of City's Proportionate Share of the Net Pension Liability Last Six 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.

CITY OF CHEVIOT, OHIO

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

<u>2017</u>	<u>2018</u>	<u>2019</u>
0.061819%	0.063506%	0.061753%
\$3,915,537	\$3,897,648	\$5,040,676
\$1,279,894	\$1,408,692	\$1,436,375
305.93%	276.69%	350.93%
68.36%	70.91%	63.07%

CITY OF CHEVIOT, OHIO

***Schedule of City Pension Contributions
Last Seven 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.

CITY OF CHEVIOT, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$121,148	\$133,841	\$141,356	\$143,875
<u>121,148</u>	<u>133,841</u>	<u>141,356</u>	<u>143,875</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
12.00%	13.00%	14.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$268,611	\$294,324	\$301,986	\$325,351
<u>268,611</u>	<u>294,324</u>	<u>301,986</u>	<u>325,351</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
20.99%	20.89%	21.02%	20.89%

This Page Intentionally Left Blank

CITY OF CHEVIOT, OHIO

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

Ohio Public Employees Retirement System

Year	2017	2018	2019
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	2017	2018	2019
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 2016 is not available.

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

CITY OF CHEVIOT, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Seven 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.

CITY OF CHEVIOT, OHIO

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

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$6,399	\$7,044	\$7,182	\$7,789
<u>6,399</u>	<u>7,044</u>	<u>7,182</u>	<u>7,789</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
0.50%	0.50%	0.50%	0.50%

CITY OF CHEVIOT, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2019

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2019.

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%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2019.

Changes in assumptions:

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

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: 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, 2019

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2019.

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%

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.

Changes in assumptions:

2018: There were no changes in assumptions.

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%.

This Page Intentionally Left Blank

CITY OF CHEVIOT, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

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, 2018. 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 2018 are as follows:

- ❑ Net position of governmental activities increased \$532,749, to a year-end balance of \$649,679.
- ❑ General revenues accounted for \$4,357,459 in revenue or 54% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,690,230, or 46% of total revenues of \$8,047,689.
- ❑ The City had \$7,514,940 in expenses related to governmental activities; only \$3,690,230 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,357,459 were adequate to provide for these programs.
- ❑ The City's general fund had \$5,203,294 in revenues and \$4,984,573 in expenditures. The general fund's fund balance increased from \$1,042,872 to \$1,092,755.

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, 2018***

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, 2018**

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 statement 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 2018 compared to 2017.

	Governmental Activities	
	2018	Restated 2017
Current and Other Assets	\$5,114,984	\$4,645,713
Capital assets, Net	6,967,510	6,468,815
Total Assets	12,082,494	11,114,528
Deferred Outflows of Resources	1,491,417	1,522,354
Net Pension Liability	5,105,272	5,771,301
Net OPEB Liability	4,391,560	3,721,646
Other Long-Term Liabilities	707,487	801,851
Other Liabilities	190,510	511,222
Total Liabilities	10,394,829	10,806,020
Deferred Inflows of Resources	2,529,403	1,713,932
Net Position		
Net Investment in Capital Assets	6,783,124	6,212,634
Restricted	1,305,774	852,321
Unrestricted	(7,439,219)	(6,948,025)
Total Net Position	\$649,679	\$116,930

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." For fiscal year 2018, the City adopted 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*. 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.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

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. As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Change in Net Position – The following table shows the change in net position for 2018 compared to 2017:

	Governmental Activities	
	2018	2017
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,123,177	\$959,511
Operating Grants and Contributions	391,125	379,392
Capital Grants and Contributions	2,175,928	146,300
Total Program Revenues	3,690,230	1,485,203
General revenues:		
Property Taxes	1,807,877	1,728,487
Municipal Income Taxes	2,065,800	2,038,221
Other Local Taxes	68,506	58,983
Intergovernmental Revenues, Unrestricted	294,343	301,395
Miscellaneous	120,933	103,360
Total General Revenues	4,357,459	4,230,446
Total Revenues	8,047,689	5,715,649
Program Expenses		
Security of Persons and Property	3,035,804	2,850,460
Public Health and Welfare Services	21,816	20,545
Leisure Time Activities	355,586	177,799
Community Environment	7,038	11,448
Public Works	414,833	396,189
Transportation	837,467	750,587
General Government	2,822,757	1,809,887
Interest and Fiscal Charges	19,639	22,621
Total Expenses	7,514,940	6,039,536
Change in Net Position	532,749	(323,887)
Beginning Net Position - Restated	116,930	N/A
Ending Net Position - Restated	\$649,679	\$116,930

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$17,339 for Governmental Activities computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$342,176 for Governmental Activities.

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

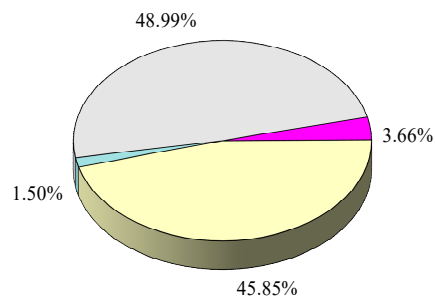
	Governmental Activities
Total 2018 program expenses under GASB 75	\$7,514,940
OPEB expense under GASB 75	(342,176)
2018 contractually required contribution	7,182
Adjusted 2018 program expenses	7,179,946
Total 2017 program expenses under GASB 45	6,039,536
Change in program expenses not related to OPEB	\$1,140,410

An increase in capital grants and contributions can be attributed to Ohio Public Works Commission grants received for improvements to Westwood Northern Boulevard. In addition, the City received grants and donations for the construction of a new splash park. An increase in general government expense can be attributed to costs for the Westwood Northern Boulevard project related to township and county streets.

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 26% and 22% respectively, of revenues for governmental activities in 2018. The City's reliance upon tax revenues is demonstrated by the following graph indicating 49% of total revenues from general tax revenues:

Revenue Sources	2018	Percent of Total
General Tax Revenues	\$3,942,183	48.99%
Intergovernmental, Unrestricted	294,343	3.66%
Program Revenues	3,690,230	45.85%
General Other	120,933	1.50%
Total Revenue	\$8,047,689	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,261,369, which is an increase from last year's balance of \$1,775,971. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2018 and 2017:

	Fund Balance December 31, 2018	Restated Fund Balance December 31, 2017	Increase (Decrease)
General	\$1,092,755	\$1,042,872	\$49,883
3 Mill Project	592,213	232,571	359,642
Westwood Northern Boulevard	0	0	0
Other Governmental	576,401	500,528	75,873
Total	\$2,261,369	\$1,775,971	\$485,398

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

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:

	2018 Revenues	2017 Revenues	Increase (Decrease)
Property Taxes	\$1,463,496	\$1,426,598	\$36,898
Municipal Income Taxes	2,110,414	2,004,156	106,258
Other Local Taxes	68,506	58,983	9,523
Intergovernmental Revenues	496,626	295,474	201,152
Charges for Services	796,194	713,469	82,725
Rental Revenue	81,993	60,971	21,022
Licenses, Permits and Fees	9,529	25,098	(15,569)
Fines and Forfeitures	74,594	60,118	14,476
All Other Revenue	101,942	100,589	1,353
Total	\$5,203,294	\$4,745,456	\$457,838

General Fund revenues increased \$457,838, or 10%. An increase in intergovernmental revenues can be attributed to grants received for a splash park.

	2018 Expenditures	2017 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,430,457	\$2,492,746	(\$62,289)
Public Health and Welfare Services	6,949	6,813	136
Leisure Time Activities	358,652	125,206	233,446
Public Works	392,333	371,316	21,017
Transportation	155,382	94,915	60,467
General Government	1,640,800	1,541,431	99,369
Total	\$4,984,573	\$4,632,427	\$352,146

General Fund expenditures increased \$352,146, or 8% when compared with the previous year. An increase in leisure time activities can be attributed to costs for a splash park. In 2017 a larger portion of street salaries were paid from the Street Fund, resulting in lower General Fund expenditures for transportation in 2017, and a subsequent increase in 2018.

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

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 2018 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 9% less than final appropriations, which can mostly be attributed to police salaries being under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018 the City had \$6,967,510 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, furniture and equipment. The following table shows 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	Restated 2017	
Land	\$275,950	\$275,950	\$0
Construction in Progress	0	536,520	(536,520)
Land Improvements	544,633	419,710	124,923
Buildings and Improvements	2,417,018	2,417,018	0
Furniture and Equipment	5,003,451	4,857,133	146,318
Infrastructure	6,219,969	4,928,461	1,291,508
Less: Accumulated Depreciation	<u>(7,493,511)</u>	<u>(6,965,977)</u>	<u>(527,534)</u>
Totals	<u>\$6,967,510</u>	<u>\$6,468,815</u>	<u>\$498,695</u>

Governmental activities capital asset additions included computer equipment, police equipment, fire equipment, a new splash pad, and improvements to School Section Road, Washington Avenue, and Westwood-Northern Boulevard.

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, 2018***

Unaudited

Debt and Other Long Term Obligations

The following table summarizes the City's long-term obligations outstanding as of December 31, 2018 and 2017:

	2018	Restated 2017
	<u>2018</u>	<u>2017</u>
Governmental Activities:		
General Obligation Bonds	\$404,200	\$441,100
Capital Leases	125,186	185,081
Net Pension Liability	5,105,272	5,771,301
Net OPEB Liability	4,391,560	3,721,646
Compensated Absences	<u>178,101</u>	<u>175,670</u>
Total Governmental Activities	<u>\$10,204,319</u>	<u>\$10,294,798</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, 2018, 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, 2018

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 1,724,086
Receivables:	
Property Taxes	2,032,051
Income Taxes	587,198
Other Local Taxes	15,985
Accounts	179,424
Intergovernmental Receivable	456,310
Special Assessments	21,573
Inventory of Supplies at Cost	75,846
Prepaid Items	22,511
Non-Depreciable Capital Assets	275,950
Depreciable Capital Assets, Net	6,691,560
Total Assets	12,082,494
Deferred Outflows of Resources:	
Pension	998,811
OPEB	492,606
Total Deferred Outflows of Resources	1,491,417
Liabilities:	
Accounts Payable	36,718
Accrued Wages and Benefits	106,945
Intergovernmental Payable	40,488
Unearned Revenue	2,306
Accrued Interest Payable	4,053
Noncurrent Liabilities:	
Due Within One Year	118,340
Due in More Than One Year:	
Net Pension Liability	5,105,272
Net OPEB Liability	4,391,560
Other Amounts Due in More Than One Year	589,147
Total Liabilities	10,394,829
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	1,907,392
Pension	481,664
OPEB	140,347
Total Deferred Inflows of Resources	2,529,403

CITY OF CHEVIOT, OHIO

	Governmental Activities
Net Position:	
Net Investment in Capital Assets	6,783,124
Restricted For:	
Capital Projects	620,472
Debt Service	35
Other Purposes	685,267
Unrestricted (Deficit)	(7,439,219)
Total Net Position	<u><u>\$ 649,679</u></u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Activities *For the Year Ended December 31, 2018*

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,035,804	\$ 285,129	\$ 0	\$ 0
Public Health and Welfare Services	21,816	0	909	0
Leisure Time Activities	355,586	103,410	7,500	270,091
Community Environment	7,038	0	0	0
Public Works	414,833	561,491	0	0
Transportation	837,467	32,573	382,716	1,905,837
General Government	2,822,757	140,574	0	0
Interest and Fiscal Charges	19,639	0	0	0
Total Governmental Activities	\$ 7,514,940	\$ 1,123,177	\$ 391,125	\$ 2,175,928

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 - Restated

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

\$	(2,750,675)
	(20,907)
	25,415
	(7,038)
	146,658
	1,483,659
	(2,682,183)
	(19,639)
\$	<u>(3,824,710)</u>

	1,486,697
	321,180
	2,065,800
	68,506
	294,343
	120,933
	<u>4,357,459</u>
	532,749
	116,930
\$	<u><u>649,679</u></u>

CITY OF CHEVIOT, OHIO

Balance Sheet Governmental Funds December 31, 2018

	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 779,783	\$ 466,278	\$ 478,025	\$ 1,724,086
Receivables:				
Property Taxes	1,700,363	331,688	0	2,032,051
Income Taxes	587,198	0	0	587,198
Other Local Taxes	15,985	0	0	15,985
Accounts	179,424	0	0	179,424
Intergovernmental	141,375	131,550	183,385	456,310
Special Assessments	0	0	21,573	21,573
Inventory of Supplies, at Cost	20,616	0	55,230	75,846
Prepaid Items	22,511	0	0	22,511
Total Assets	\$ 3,447,255	\$ 929,516	\$ 738,213	\$ 5,114,984
Liabilities:				
Accounts Payable	\$ 33,799	\$ 0	\$ 2,919	\$ 36,718
Accrued Wages and Benefits Payable	92,496	0	14,449	106,945
Intergovernmental Payable	40,103	0	385	40,488
Unearned Revenue	2,306	0	0	2,306
Total Liabilities	168,704	0	17,753	186,457
Deferred Inflows of Resources:				
Unavailable Amounts	587,448	28,259	144,059	759,766
Property Tax Levy for Next Fiscal Year	1,598,348	309,044	0	1,907,392
Total Deferred Inflows of Resources	2,185,796	337,303	144,059	2,667,158
Fund Balance:				
Nonspendable	46,530	0	55,230	101,760
Restricted	0	592,213	510,112	1,102,325
Committed	0	0	11,059	11,059
Assigned	743,947	0	0	743,947
Unassigned	302,278	0	0	302,278
Total Fund Balance	1,092,755	592,213	576,401	2,261,369
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,447,255	\$ 929,516	\$ 738,213	\$ 5,114,984

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, 2018***

Total Governmental Fund Balances \$ 2,261,369

***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. 6,967,510

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 759,766

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	998,811	
Deferred Inflows - Pension	(481,664)	
Net Pension Liability	(5,105,272)	
Deferred Outflows - OPEB	492,606	
Deferred Inflows - OPEB	(140,347)	
Net OPEB Liability	<u>(4,391,560)</u>	(8,627,426)

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	(404,200)	
Capital Leases Payable	(125,186)	
Compensated Absences Payable	(178,101)	
Accrued Interest Payable	<u>(4,053)</u>	<u>(711,540)</u>

Net Position of Governmental Activities **\$ 649,679**

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, 2018

	General Fund	3 Mill Project Fund	Westwood Northern Boulevard Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,463,496	\$ 315,463	\$ 0	\$ 0	\$ 1,778,959
Municipal Income Taxes	2,110,414	0	0	0	2,110,414
Other Local Taxes	68,506	0	0	0	68,506
Intergovernmental Revenues	496,626	136,428	1,779,902	384,420	2,797,376
Charges for Services	796,194	0	0	73,318	869,512
Rental Revenue	81,993	0	0	0	81,993
Licenses, Permits and Fees	9,529	0	0	0	9,529
Special Assessments	0	0	0	26,294	26,294
Fines and Forfeitures	74,594	0	0	17,840	92,434
All Other Revenue	101,942	0	0	19,981	121,923
Total Revenue	5,203,294	451,891	1,779,902	521,853	7,956,940
Expenditures:					
Current:					
Security of Persons and Property	2,430,457	0	0	15,895	2,446,352
Public Health and Welfare Services	6,949	0	0	14,867	21,816
Leisure Time Activities	358,652	0	0	47,994	406,646
Community Environment	0	0	0	7,038	7,038
Public Works	392,333	0	0	0	392,333
Transportation	155,382	0	0	432,990	588,372
General Government	1,640,800	0	0	592	1,641,392
Capital Outlay	0	92,249	1,779,902	0	1,872,151
Debt Service:					
Principal Retirement	0	0	0	96,795	96,795
Interest and Fiscal Charges	0	0	0	19,956	19,956
Total Expenditures	4,984,573	92,249	1,779,902	636,127	7,492,851
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	218,721	359,642	0	(114,274)	464,089
Other Financing Sources (Uses):					
Transfers In	0	0	0	166,686	166,686
Transfers Out	(166,686)	0	0	0	(166,686)
Total Other Financing Sources (Uses)	(166,686)	0	0	166,686	0
Net Change in Fund Balance	52,035	359,642	0	52,412	464,089
Fund Balance at Beginning of Year - Restated	1,042,872	232,571	0	500,528	1,775,971
Increase (Decrease) in Inventory	(2,152)	0	0	23,461	21,309
Fund Balance End of Year	\$ 1,092,755	\$ 592,213	\$ 0	\$ 576,401	\$ 2,261,369

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, 2018***

Net Change in Fund Balances - Total Governmental Funds \$ 464,089

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	1,031,164	
Depreciation Expense	(530,719)	500,445

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. (1,750)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 90,749

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

Pension	443,342	
OPEB	7,182	450,524

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	(745,122)	
OPEB	(342,176)	(1,087,298)

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	59,895	
Bond Principal Retirement	36,900	
Change in Accrued Interest Payable	317	97,112

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	(2,431)	
Change in Inventory	21,309	18,878

Change in Net Position of Governmental Activities **\$ 532,749**

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, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,780,670	\$ 1,823,536	\$ 1,650,632	\$ (172,904)
Municipal Income Taxes	2,038,679	2,087,756	2,073,634	(14,122)
Other Local Taxes	53,707	55,000	67,799	12,799
Intergovernmental Revenues	358,402	367,030	321,536	(45,494)
Charges for Services	696,240	713,000	736,348	23,348
Rental Revenue	61,226	62,700	76,814	14,114
Licenses, Permits and Fees	15,673	16,050	9,529	(6,521)
Fines and Forfeitures	58,590	60,000	74,594	14,594
All Other Revenues	65,279	66,850	88,942	22,092
Total Revenues	<u>5,128,466</u>	<u>5,251,922</u>	<u>5,099,828</u>	<u>(152,094)</u>
Expenditures:				
Current:				
Security of Persons and Property	2,920,476	2,747,965	2,454,256	293,709
Public Health and Welfare Services	7,385	6,949	6,949	0
Leisure Time Activities	416,694	392,080	361,417	30,663
Public Works	424,580	399,500	393,063	6,437
Transportation	176,952	166,500	155,382	11,118
General Government	1,928,159	1,814,264	1,671,069	143,195
Total Expenditures	<u>5,874,246</u>	<u>5,527,258</u>	<u>5,042,136</u>	<u>485,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(745,780)	(275,336)	57,692	333,028
Other Financing Sources (Uses):				
Transfers In	0	0	229,600	229,600
Transfers Out	0	(396,300)	(396,286)	14
Total Other Financing Sources (Uses):	<u>0</u>	<u>(396,300)</u>	<u>(166,686)</u>	<u>229,614</u>
Net Change in Fund Balance	(745,780)	(671,636)	(108,994)	562,642
Fund Balance at Beginning of Year	702,268	702,268	702,268	0
Prior Year Encumbrances	111,689	111,689	111,689	0
Fund Balance at End of Year	<u>\$ 68,177</u>	<u>\$ 142,321</u>	<u>\$ 704,963</u>	<u>\$ 562,642</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2018

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 644,952
Cash and Cash Equivalents in Segregated Accounts	<u>5,123</u>
Total Assets	<u>650,075</u>
Liabilities:	
Intergovernmental Payable	16
Undistributed Monies	<u>650,059</u>
Total Liabilities	<u>\$ 650,075</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, 2018

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, 2018 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 an agency 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, 2018

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.

Westwood Northern Boulevard Fund - This fund is used to account for improvements to Westwood Northern Boulevard, which are funded by grants and local money.

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 agency funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018

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, 2018 but which are not intended to finance 2018 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, 2018

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 agency 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 2018.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018**

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)	\$52,035
Increase (Decrease):	
Accrued Revenues at December 31, 2018 received during 2019	(438,549)
Accrued Revenues at December 31, 2017 received during 2018	340,262
Accrued Expenditures at December 31, 2018 paid during 2019	168,704
Accrued Expenditures at December 31, 2017 paid during 2018	(155,597)
2017 Prepays for 2018	21,482
2018 Prepays for 2019	(22,511)
Outstanding Encumbrances	(74,820)
Budget Basis	<u>(\$108,994)</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 and Bail Bond 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, 2018

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, 2018, 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, 2018***

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

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, 2018

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, 2018

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 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, 2018

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 2018.

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, 2018

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION/FUND BALANCE

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” Statement No. 85, “Omnibus 2017,” and Statement No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The implementation of GASB 75 required a restatement of prior year net position. Adjustments were also necessary to account for the reclassification of the Swimming Pool Fund from an enterprise fund to special revenue fund. The implementation of GASB 75 and fund reclassification had the following effect on net position/fund balance as reported December 31, 2017:

	Governmental Activities	Other Governmental Funds	Total Governmental Funds
Net position/fund balance December 31, 2017	\$3,734,469	\$497,615	\$1,773,058
Adjustments:			
Net OPEB Liability	(3,721,646)	0	0
Deferred Outflow - Payments Subsequent to the Measurement Date	17,339	0	0
Swimming Pool Fund Reclassification	86,768	2,913	2,913
Restated Net Position/fund balance December 31, 2017	<u>\$116,930</u>	<u>\$500,528</u>	<u>\$1,775,971</u>
	Business-Type Activities	Enterprise Funds	
Net position/fund balance December 31, 2017	\$86,768	\$86,768	
Adjustments:			
Net OPEB Liability	0	0	
Deferred Outflow - Payments Subsequent to the Measurement Date	0	0	
Swimming Pool Fund Reclassification	(86,768)	(86,768)	
Restated Net Position/fund balance December 31, 2017	<u>\$0</u>	<u>\$0</u>	

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION/FUND BALANCE (Continued)

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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	Westwood Northern Boulevard Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$20,616	\$0	\$0	\$55,230	\$75,846
Prepaid Items	22,511	0	0	0	22,511
Unclaimed Funds	3,403	0	0	0	3,403
Total Nonspendable	46,530	0	0	55,230	101,760
Restricted:					
Street Improvements	0	0	0	283,088	283,088
Parking Lot Operations	0	0	0	70,813	70,813
Sidewalk Maintenance	0	0	0	37,211	37,211
Shade Tree Program	0	0	0	567	567
Law Enforcement	0	0	0	97,855	97,855
Court Improvements	0	0	0	1,108	1,108
EMS Program	0	0	0	1,828	1,828
Community Environment	0	0	0	17,472	17,472
Recycling Program	0	0	0	135	135
Debt Service	0	0	0	35	35
Capital Improvements	0	592,213	0	0	592,213
Total Restricted	0	592,213	0	510,112	1,102,325
Committed:					
Swimming Pool Operations	0	0	0	7,505	7,505
Capital Improvements	0	0	0	3,554	3,554
Total Committed	0	0	0	11,059	11,059
Assigned:					
Other Purposes	743,947	0	0	0	743,947
Unassigned (Deficits):	302,278	0	0	0	302,278
Total Fund Balances	\$1,092,755	\$592,213	\$0	\$576,401	\$2,261,369

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018

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 \$2,374,161 and the bank balance was \$2,550,227. Federal depository insurance covered \$250,000 of the bank balance and \$2,300,227 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 2018 were levied after October 1, 2017 on assessed values as of January 1, 2017, 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, 2018***

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, 2018 was \$20.13 per \$1,000 of assessed value. The assessed value upon which the 2018 tax levy was based was \$109,152,550. This amount constitutes \$100,893,960 in real property assessed value and \$8,258,590 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, 2018.

	Total Amount of Taxes Abated For the year 2018
<i>Community Reinvestment Area (CRA)</i>	
Retail/Banking	\$32,718
	<u>\$32,718</u>

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 2018 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 2018:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$0	\$166,686
Other Governmental Funds	<u>166,686</u>	<u>0</u>
Total Governmental Funds	<u>\$166,686</u>	<u>\$166,686</u>

Transfers made during the year ended December 31, 2018 consisted of amounts transferred from the General Fund to other funds to provide additional resources for operations and debt service.

This space intentionally left blank

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2018:

<i>Historical Cost:</i>	Restated			December 31,
Class	December 31,	Additions	Deletions	2018
	2017			
<i>Capital assets not being depreciated:</i>				
Land	\$275,950	\$0	\$0	\$275,950
Construction in Progress	536,520	0	(536,520)	0
Sub-total	812,470	0	(536,520)	275,950
<i>Capital assets being depreciated:</i>				
Land Improvements	419,710	124,923	0	544,633
Buildings and Improvements	2,417,018	0	0	2,417,018
Furniture and Equipment	4,857,133	151,253	(4,935)	5,003,451
Infrastructure	4,928,461	1,291,508	0	6,219,969
Total Cost	<u>\$13,434,792</u>	<u>\$1,567,684</u>	<u>(\$541,455)</u>	<u>\$14,461,021</u>
<i>Accumulated Depreciation:</i>				
Class	December 31,	Additions	Deletions	December 31,
	2017			2018
Land Improvements	(\$379,069)	(\$13,581)	\$0	(\$392,650)
Buildings and Improvements	(1,749,064)	(45,629)	0	(1,794,693)
Furniture and Equipment	(3,556,750)	(248,320)	3,185	(3,801,885)
Infrastructure	(1,281,094)	(223,189)	0	(1,504,283)
Total Depreciation	<u>(\$6,965,977)</u>	<u>(\$530,719) *</u>	<u>\$3,185</u>	<u>(\$7,493,511)</u>
<i>Net Value:</i>	<u>\$6,468,815</u>			<u>\$6,967,510</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$180,915
Leisure Time Activities	25,815
Public Works	23,259
Transportation	269,292
General Government	<u>31,438</u>
Total Depreciation Expense	<u>\$530,719</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018**

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):

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

This Space Intentionally Left Blank

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 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 \$141,356 for 2018.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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 three percent 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 three percent of their base pension or disability benefit.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$301,986 for 2018.

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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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	\$1,207,624	\$3,897,648	\$5,105,272
Proportion of the Net Pension Liability-2018	0.007698%	0.063506%	
Proportion of the Net Pension Liability-2017	<u>0.008172%</u>	<u>0.061819%</u>	
Percentage Change	<u>(0.000474%)</u>	<u>0.001687%</u>	
Pension Expense	\$235,075	\$510,047	\$745,122

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, 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	\$144,319	\$169,840	\$314,159
Differences between expected and actual experience	1,233	59,149	60,382
Change in proportionate share	0	180,928	180,928
City contributions subsequent to the measurement date	141,356	301,986	443,342
Total Deferred Outflows of Resources	<u>\$286,908</u>	<u>\$711,903</u>	<u>\$998,811</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$259,262	\$134,828	\$394,090
Differences between expected and actual experience	23,797	7,052	30,849
Change in proportionate share	49,683	7,042	56,725
Total Deferred Inflows of Resources	<u>\$332,742</u>	<u>\$148,922</u>	<u>\$481,664</u>

\$443,342 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, 2019. 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:			
2019	\$82,750	\$142,628	\$225,378
2020	(49,242)	107,182	57,940
2021	(114,163)	(32,470)	(146,633)
2022	(106,535)	(29,553)	(136,088)
2023	0	59,045	59,045
2024	0	14,163	14,163
Total	<u>(\$187,190)</u>	<u>\$260,995</u>	<u>\$73,805</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, 2018

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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 2017, 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 16.82% for 2017.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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 2017 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	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$2,144,431	\$1,207,624	\$426,608

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent for increases based on the lesser of the increase in CPI and 3%.

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

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

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

* 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.

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

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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	\$5,403,164	\$3,897,648	\$2,669,764

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.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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 twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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, 2018

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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. 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 2018 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 2018.

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 healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government 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, 2018***

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 2018, 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 \$7,182 for 2018.

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, 2016, rolled forward to the measurement date of December 31, 2017, 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, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. 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	\$793,399	\$3,598,161	\$4,391,560
Proportion of the Net OPEB Liability-2018	0.007306%	0.063506%	
Proportion of the Net OPEB Liability-2017	<u>0.007794%</u>	<u>0.061819%</u>	
Percentage Change	<u>(0.000488%)</u>	<u>0.001687%</u>	
OPEB Expense	\$50,514	\$291,662	\$342,176

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, 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	\$57,767	\$351,104	\$408,871
Differences between expected and actual experience	619	0	619
Change in proportionate share	0	75,934	75,934
City contributions subsequent to the measurement date	0	7,182	7,182
Total Deferred Outflows of Resources	<u>\$58,386</u>	<u>\$434,220</u>	<u>\$492,606</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$59,103	\$23,684	\$82,787
Differences between expected and actual experience	0	18,148	18,148
Change in proportionate share	33,352	6,060	39,412
Total Deferred Inflows of Resources	<u>\$92,455</u>	<u>\$47,892</u>	<u>\$140,347</u>

\$7,182 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	(\$2,808)	\$52,973	\$50,165
2020	(2,808)	52,973	50,165
2021	(13,678)	52,973	39,295
2022	(14,775)	52,972	38,197
2023	0	58,894	58,894
2024	0	58,894	58,894
2025	0	49,467	49,467
Total	<u>(\$34,069)</u>	<u>\$379,146</u>	<u>\$345,077</u>

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2016, rolled forward to the measurement date of December 31, 2017. 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	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
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 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.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

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 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 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.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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 following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 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 (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$1,054,064	\$793,399	\$582,523

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 2018 is 7.50 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 3.25 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	\$759,113	\$793,399	\$828,814

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB 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 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, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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 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, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalent	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.

* levered 2x

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 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 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 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 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 (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$4,497,744	\$3,598,161	\$2,905,970

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$2,795,116	\$3,598,161	\$4,680,393

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2018 was as follows:

			Restated Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Amount Due Within One Year
	Maturity Date						
Governmental Activities:							
General Obligation Bonds Payable:							
Energy Efficiency Improvements	3.375%	2027	\$370,000	\$0	(\$25,000)	\$345,000	\$30,000
Ambulance	3.500%	2023	71,100	0	(11,900)	59,200	12,400
Total General Obligation Bonds Payable			<u>441,100</u>	<u>0</u>	<u>(36,900)</u>	<u>404,200</u>	<u>42,400</u>
Capital Leases			185,081	0	(59,895)	125,186	61,676
Net Pension Liability:							
Ohio Public Employees Retirement System			1,855,764	0	(648,140)	1,207,624	0
Ohio Police and Fire Pension Fund			3,915,537	0	(17,889)	3,897,648	0
Total Net Pension Liability			<u>5,771,301</u>	<u>0</u>	<u>(666,029)</u>	<u>5,105,272</u>	<u>0</u>
Net OPEB Liability:							
Ohio Public Employees Retirement System			787,249	6,150	0	793,399	0
Ohio Police and Fire Pension Fund			2,934,397	663,764	0	3,598,161	0
Total Net OPEB Liability			<u>3,721,646</u>	<u>669,914</u>	<u>0</u>	<u>4,391,560</u>	<u>0</u>
Compensated Absences			175,670	12,719	(10,288)	178,101	14,264
Total Governmental Activities			<u>\$10,294,798</u>	<u>\$682,633</u>	<u>(\$773,112)</u>	<u>\$10,204,319</u>	<u>\$118,340</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.

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

The City's total debt margin was \$11,056,818 at December 31, 2018. 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, 2018***

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018 are as follows:

Years	General Obligation Bonds		
	Principal	Interest	Totals
2019	\$42,400	\$13,101	\$55,501
2020	42,800	11,657	54,457
2021	48,200	10,102	58,302
2022	48,800	8,456	57,256
2023	42,000	6,788	48,788
2024-2027	180,000	12,658	192,658
Totals	\$404,200	\$62,762	\$466,962

NOTE 12 - CAPITAL LEASES

The City has financed the purchase of a fire 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, 2018:

Year Ending December 31,	Capital Leases
2019	\$65,400
2020	65,400
Minimum Lease Payments	130,800
Less amount representing interest at the City's incremental borrowing rate of interest	(5,614)
Present value of minimum lease payments	\$125,186

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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 2018, 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, 2018

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to OKI are made from the General Fund. No financial contributions were made by the City during 2018. 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 Seven Hills OB_GNY Associates, Inc.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018

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.

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.

CITY OF CHEVIOT, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CHEVIOT, OHIO

Schedule of City's Proportionate Share of the Net Pension Liability Last Five 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.

CITY OF CHEVIOT, OHIO

<u>2017</u>	<u>2018</u>
0.008172%	0.007698%
\$1,855,764	\$1,207,624
\$1,009,567	\$1,029,546
183.82%	117.30%
77.25%	84.66%

<u>2017</u>	<u>2018</u>
0.061819%	0.063506%
\$3,915,537	\$3,897,648
\$1,279,894	\$1,408,692
305.93%	276.69%
68.36%	70.91%

CITY OF CHEVIOT, OHIO

Schedule of City Pension Contributions Last Six 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.

CITY OF CHEVIOT, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$121,148	\$133,841	\$141,356
<u>121,148</u>	<u>133,841</u>	<u>141,356</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,009,567	\$1,029,546	\$1,009,686
12.00%	13.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$268,611	\$294,324	\$301,986
<u>268,611</u>	<u>294,324</u>	<u>301,986</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,279,894	\$1,408,692	\$1,436,375
20.99%	20.89%	21.02%

This Page Intentionally Left Blank

CITY OF CHEVIOT, OHIO

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

Last Two Years

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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 2016 is not available.

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

CITY OF CHEVIOT, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Six 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.

CITY OF CHEVIOT, OHIO

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

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$6,399	\$7,044	\$7,182
<u>6,399</u>	<u>7,044</u>	<u>7,182</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,279,894	\$1,408,692	\$1,436,375
0.50%	0.50%	0.50%

CITY OF CHEVIOT, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2018

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

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 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%

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

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

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%

CITY OF CHEVIOT, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2018

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%.

This Page Intentionally Left Blank

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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 auditing standards generally accepted in the United States and 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 17, 2020. The City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Other Postemployment Benefits* in 2018. We also noted in 2019 the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

August 17, 2020

CITY OF CHEVIOT
HAMILTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019-2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Posting of Transactions	Partially Corrected	Repeated in the Management Letter

This page intentionally left blank.

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 9/8/2020

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