



Dave Yost • Auditor of State



**CITY OF CHEVIOT  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2014, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2017, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 1, 2017

## **CITY OF CHEVIOT, OHIO**

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2014***

***Unaudited***

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The discussion and analysis of the City of Cheviot's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2014. 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 2014 are as follows:

- ❑ In total, net position increased \$620,610. Net position of governmental activities increased \$625,662, which represents a 10% increase from 2013. Net position of business-type activities decreased \$5,052 or 8% from 2013.
- ❑ General revenues accounted for \$4,067,633 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,603,593, or 28% of total revenues of \$5,671,226.
- ❑ The City had \$5,010,447 in expenses related to governmental activities; only \$1,579,976 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,067,633 were adequate to provide for these programs.
- ❑ The City's general fund had \$4,708,130 in revenues and \$4,234,722 in expenditures. The general fund's fund balance increased from \$1,048,346 to \$1,497,392.

### **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

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2014*

*Unaudited*

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## **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 divided into two categories:

- *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.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's swimming pool operations are reported as business-type activities.

## **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, 2014**

**Unaudited**

*Proprietary Funds* – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the City's swimming pool operations.

*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 2014 compared to 2013.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$5,073,051	\$4,522,103	\$516	\$836	\$5,073,567	\$4,522,939
Capital assets, Net	4,291,901	4,349,953	59,300	63,018	4,351,201	4,412,971
Total Assets	<u>9,364,952</u>	<u>8,872,056</u>	<u>59,816</u>	<u>63,854</u>	<u>9,424,768</u>	<u>8,935,910</u>
Long-Term Debt Outstanding	651,523	688,860	0	0	651,523	688,860
Other Liabilities	506,325	598,755	1,033	19	507,358	598,774
Total Liabilities	<u>1,157,848</u>	<u>1,287,615</u>	<u>1,033</u>	<u>19</u>	<u>1,158,881</u>	<u>1,287,634</u>
Deferred Inflows of Resources	<u>1,550,412</u>	<u>1,553,411</u>	<u>0</u>	<u>0</u>	<u>1,550,412</u>	<u>1,553,411</u>
Net Position						
Net Investment in Capital Assets	4,187,401	4,235,053	59,300	63,018	4,246,701	4,298,071
Restricted	776,196	619,638	0	0	776,196	619,638
Unrestricted	<u>1,693,095</u>	<u>1,176,339</u>	<u>(517)</u>	<u>817</u>	<u>1,692,578</u>	<u>1,177,156</u>
Total Net Position	<u>\$6,656,692</u>	<u>\$6,031,030</u>	<u>\$58,783</u>	<u>\$63,835</u>	<u>\$6,715,475</u>	<u>\$6,094,865</u>

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## CITY OF CHEVIOT, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2014*

*Unaudited*

Changes in Net Position – The following table shows the changes in net position for 2014 compared to 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services and Sales	\$814,418	\$369,329	\$23,617	\$26,001	\$838,035	\$395,330
Operating Grants and Contributions	455,298	543,700	0	0	455,298	543,700
Capital Grants and Contributions	310,260	299,935	0	0	310,260	299,935
Total Program Revenues	<u>1,579,976</u>	<u>1,212,964</u>	<u>23,617</u>	<u>26,001</u>	<u>1,603,593</u>	<u>1,238,965</u>
General revenues:						
Property Taxes	1,605,200	1,605,629	0	0	1,605,200	1,605,629
Municipal Income Taxes	1,981,948	1,940,654	0	0	1,981,948	1,940,654
Other Local Taxes	65,413	65,239	0	0	65,413	65,239
Intergovernmental Revenues, Unrestricted	355,733	345,158	0	0	355,733	345,158
Miscellaneous	59,339	179,916	0	0	59,339	179,916
Total General Revenues	<u>4,067,633</u>	<u>4,136,596</u>	<u>0</u>	<u>0</u>	<u>4,067,633</u>	<u>4,136,596</u>
Total Revenues	<u>5,647,609</u>	<u>5,349,560</u>	<u>23,617</u>	<u>26,001</u>	<u>5,671,226</u>	<u>5,375,561</u>
Program Expenses						
Security of Persons and Property	2,222,671	2,028,375	0	0	2,222,671	2,028,375
Public Health and Welfare Services	20,029	18,443	0	0	20,029	18,443
Leisure Time Activities	137,208	101,673	0	0	137,208	101,673
Community Environment	71,793	13,351	0	0	71,793	13,351
Public Works	511,898	345,481	0	0	511,898	345,481
Transportation	731,015	817,924	0	0	731,015	817,924
General Government	1,297,137	2,135,827	0	0	1,297,137	2,135,827
Interest and Fiscal Charges	18,696	18,164	0	0	18,696	18,164
Swimming Pool	0	0	40,169	36,545	40,169	36,545
Total Expenses	<u>5,010,447</u>	<u>5,479,238</u>	<u>40,169</u>	<u>36,545</u>	<u>5,050,616</u>	<u>5,515,783</u>
Change in Net Position Before Transfers	637,162	(129,678)	(16,552)	(10,544)	620,610	(140,222)
Transfers	(11,500)	(5,000)	11,500	5,000	0	0
Total Change in Net Position	625,662	(134,678)	(5,052)	(5,544)	620,610	(140,222)
Beginning Net Position	<u>6,031,030</u>	<u>6,165,708</u>	<u>63,835</u>	<u>69,379</u>	<u>6,094,865</u>	<u>6,235,087</u>
Ending Net Position	<u>\$6,656,692</u>	<u>\$6,031,030</u>	<u>\$58,783</u>	<u>\$63,835</u>	<u>\$6,715,475</u>	<u>\$6,094,865</u>

### **Governmental Activities**

Net position of the City's governmental activities increased \$625,662. Increases in charges for services and sales can be attributed to a new municipal waste collection fee. The hiring of two new police officers and one new firefighter contributed to the increase in security of persons and property. Increases in general government in the prior year due to energy efficiency improvements to City facilities resulted in the subsequent decrease in general government in the current year.

## CITY OF CHEVIOT, OHIO

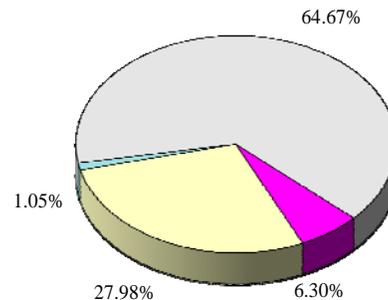
**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**Unaudited**

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

Income taxes and property taxes made up 35% and 28% respectively, of revenues for governmental activities for the City in 2014. The City's reliance upon tax revenues is demonstrated by the following graph indicating 65% of total revenues from general tax revenues:

Revenue Sources	2014	Percent of Total
General Tax Revenues	\$3,652,561	64.67%
Intergovernmental, Unrestricted	355,733	6.30%
Program Revenues	1,579,976	27.98%
General Other	59,339	1.05%
Total Revenue	<u>\$5,647,609</u>	<u>100.00%</u>



### **Business-Type Activities**

Net position of the business-type activities decreased \$5,052. This represents an 8% change from the previous year.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$2,155,960, which is an increase from last year's balance of \$1,542,972. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2014 and 2013:

	Fund Balance December 31, 2014	Fund Balance December 31, 2013	Increase (Decrease)
General	\$1,497,392	\$1,048,346	\$449,046
3 Mill Project	250,617	106,433	144,184
Other Governmental	407,951	388,193	19,758
Total	<u>\$2,155,960</u>	<u>\$1,542,972</u>	<u>\$612,988</u>

## CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis  
For the Year Ended December 31, 2014***

***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:

	2014 Revenues	2013 Revenues	Increase (Decrease)
Property Taxes	\$1,482,520	\$1,478,200	\$4,320
Municipal Income Taxes	1,934,897	1,823,134	111,763
Other Local Taxes	65,413	65,239	174
Intergovernmental Revenues	391,198	330,012	61,186
Charges for Services	616,554	163,960	452,594
Rental Revenue	74,197	81,752	(7,555)
Licenses, Permits and Fees	15,566	15,395	171
Fines and Forfeitures	76,236	74,916	1,320
All Other Revenue	51,549	74,816	(23,267)
Total	\$4,708,130	\$4,107,424	\$600,706

General Fund revenues increased 15% when compared to revenues in the prior year. Increases in charges for services can be attributed to a new municipal waste collection fee.

	2014 Expenditures	2013 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,132,365	\$1,938,259	\$194,106
Public Health and Welfare Services	6,718	6,769	(51)
Leisure Time Activities	126,624	89,929	36,695
Public Works	506,184	334,876	171,308
Transportation	108,512	84,692	23,820
General Government	1,354,319	1,285,135	69,184
Debt Service:			
Interest and Fiscal Charges	0	14,034	(14,034)
Total	\$4,234,722	\$3,753,694	\$481,028

General Fund expenditures increased \$481,028 or approximately 13% when compared with the previous year. The hiring of two new police officers and one new firefighter contributed to the increase in security of persons and property while the increase in public works was the result of the purchase of a new garbage truck.

## CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**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 fiscal year 2014 the City amended its General Fund budget several times, none significant.

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.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2014 the City had \$4,351,201 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, furniture and equipment. Of this total, \$4,291,901 was related to governmental activities and \$59,300 to the business-type activities. The following tables show fiscal year 2014 and 2013 balances:

	Governmental Activities		Increase (Decrease)
	2014	2013	
Land	\$274,086	\$274,086	\$0
Land Improvements	417,462	408,003	9,459
Buildings and Improvements	2,168,179	2,168,179	0
Furniture and Equipment	3,931,348	3,790,680	140,668
Infrastructure	3,716,183	3,716,183	0
Less: Accumulated Depreciation	(6,215,357)	(6,007,178)	(208,179)
Totals	\$4,291,901	\$4,349,953	(\$58,052)

	Business-Type Activities		Increase (Decrease)
	2014	2013	
Land	\$1,864	\$1,864	\$0
Buildings and Building Improvements	167,300	167,300	0
Less: Accumulated Depreciation	(109,864)	(106,146)	(3,718)
Totals	\$59,300	\$63,018	(\$3,718)

Additional information on the City's capital assets can be found in Note 7.

## **CITY OF CHEVIOT, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2014***

***Unaudited***

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### ***Debt***

The following table summarizes the City's debt outstanding as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General Obligation Bonds	\$539,500	\$569,900
Compensated Absences	<u>112,023</u>	<u>118,960</u>
Total Governmental Activities	<u><u>\$651,523</u></u>	<u><u>\$688,860</u></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, 2014, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

### **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, 2014*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,827,843	\$ 516	\$ 1,828,359
Receivables:			
Property Taxes	1,660,004	0	1,660,004
Income Taxes	997,631	0	997,631
Other Local Taxes	16,250	0	16,250
Accounts	28,683	0	28,683
Intergovernmental Receivable	474,851	0	474,851
Inventory of Supplies at Cost	48,664	0	48,664
Prepaid Items	19,125	0	19,125
Non-Depreciable Capital Assets	274,086	1,864	275,950
Depreciable Capital Assets, Net	4,017,815	57,436	4,075,251
<b>Total Assets</b>	<b>9,364,952</b>	<b>59,816</b>	<b>9,424,768</b>
<b>Liabilities:</b>			
Accounts Payable	207,011	1,033	208,044
Accrued Wages and Benefits	136,846	0	136,846
Intergovernmental Payable	136,006	0	136,006
Contracts Payable	14,175	0	14,175
Unearned Revenue	7,089	0	7,089
Accrued Interest Payable	5,198	0	5,198
Noncurrent liabilities:			
Due within one year	40,313	0	40,313
Due in more than one year	611,210	0	611,210
<b>Total Liabilities</b>	<b>1,157,848</b>	<b>1,033</b>	<b>1,158,881</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	1,550,412	0	1,550,412
<b>Net Position:</b>			
Net Investment in Capital Assets	4,187,401	59,300	4,246,701
Restricted For:			
Capital Projects	423,897	0	423,897
Debt Service	423	0	423
Other Purposes	351,876	0	351,876
Unrestricted (Deficit)	1,693,095	(517)	1,692,578
<b>Total Net Position</b>	<b>\$ 6,656,692</b>	<b>\$ 58,783</b>	<b>\$ 6,715,475</b>

See accompanying notes to the basic financial statements

## CITY OF CHEVIOT, OHIO

### *Statement of Activities* *For the Year Ended December 31, 2014*

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 2,222,671	\$ 163,728	\$ 600	\$ 0
Public Health and Welfare Services	20,029	0	2,788	0
Leisure Time Activities	137,208	57,047	49,200	17,400
Community Environment	71,793	0	32,387	0
Public Works	511,898	456,671	0	0
Transportation	731,015	0	370,323	292,860
General Government	1,297,137	136,972	0	0
Interest and Fiscal Charges	18,696	0	0	0
<b>Total Governmental Activities</b>	5,010,447	814,418	455,298	310,260
<b>Business-Type Activities:</b>				
Swimming Pool	40,169	23,617	0	0
<b>Total Business-Type Activities</b>	40,169	23,617	0	0
<b>Totals</b>	\$ 5,050,616	\$ 838,035	\$ 455,298	\$ 310,260

#### **General Revenues and Transfers**

Property Taxes Levied for:

- General Purposes
- Capital Outlay

Municipal Income Taxes

Other Local Taxes

Intergovernmental, Unrestricted

Miscellaneous

Transfers

Total General Revenues and Transfers

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**

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Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,058,343)	\$ 0	\$ (2,058,343)
(17,241)	0	(17,241)
(13,561)	0	(13,561)
(39,406)	0	(39,406)
(55,227)	0	(55,227)
(67,832)	0	(67,832)
(1,160,165)	0	(1,160,165)
(18,696)	0	(18,696)
<u>(3,430,471)</u>	<u>0</u>	<u>(3,430,471)</u>
0	(16,552)	(16,552)
0	(16,552)	(16,552)
<u>\$ (3,430,471)</u>	<u>\$ (16,552)</u>	<u>\$ (3,447,023)</u>
1,472,954	0	1,472,954
132,246	0	132,246
1,981,948	0	1,981,948
65,413	0	65,413
355,733	0	355,733
59,339	0	59,339
(11,500)	11,500	0
<u>4,056,133</u>	<u>11,500</u>	<u>4,067,633</u>
625,662	(5,052)	620,610
6,031,030	63,835	6,094,865
<u>\$ 6,656,692</u>	<u>\$ 58,783</u>	<u>\$ 6,715,475</u>

## CITY OF CHEVIOT, OHIO

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,212,371	\$ 250,617	\$ 364,855	\$ 1,827,843
Receivables:				
Property Taxes	1,522,885	137,119	0	1,660,004
Income Taxes	997,631	0	0	997,631
Other Local Taxes	16,250	0	0	16,250
Accounts	28,683	0	0	28,683
Intergovernmental	152,461	7,212	315,178	474,851
Inventory of Supplies, at Cost	10,789	0	37,875	48,664
Prepaid Items	19,125	0	0	19,125
<b>Total Assets</b>	<b>\$ 3,960,195</b>	<b>\$ 394,948</b>	<b>\$ 717,908</b>	<b>\$ 5,073,051</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 41,919	\$ 0	\$ 165,092	\$ 207,011
Accrued Wages and Benefits Payable	116,663	0	20,183	136,846
Intergovernmental Payable	132,888	0	3,118	136,006
Contracts Payable	14,175	0	0	14,175
Unearned Revenue	7,089	0	0	7,089
<b>Total Liabilities</b>	<b>312,734</b>	<b>0</b>	<b>188,393</b>	<b>501,127</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Amounts	727,682	16,306	121,564	865,552
Property Tax Levy for Next Fiscal Year	1,422,387	128,025	0	1,550,412
<b>Total Deferred Inflows of Resources</b>	<b>2,150,069</b>	<b>144,331</b>	<b>121,564</b>	<b>2,415,964</b>
<b>Fund Balance:</b>				
Nonspendable	33,249	0	37,875	71,124
Restricted	0	250,617	370,076	620,693
Assigned	660,669	0	0	660,669
Unassigned	803,474	0	0	803,474
<b>Total Fund Balance</b>	<b>1,497,392</b>	<b>250,617</b>	<b>407,951</b>	<b>2,155,960</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 3,960,195</b>	<b>\$ 394,948</b>	<b>\$ 717,908</b>	<b>\$ 5,073,051</b>

See accompanying notes to the basic financial statements

**CITY OF CHEVIOT, OHIO**

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***Reconciliation of Total Governmental Fund Balances  
To Net Position of Governmental Activities  
December 31, 2014***

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<b>Total Governmental Fund Balances</b>	\$ 2,155,960
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	4,291,901
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	865,552
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	(539,500)
Compensated Absences Payable	(112,023)
Accrued Interest Payable	(5,198)
	<u>(656,721)</u>
<b><i>Net Position of Governmental Activities</i></b>	<b><u>\$ 6,656,692</u></b>

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, 2014

	General Fund	3 Mill Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 1,482,520	\$ 133,160	\$ 0	\$ 1,615,680
Municipal Income Taxes	1,934,897	0	0	1,934,897
Other Local Taxes	65,413	0	0	65,413
Intergovernmental Revenues	391,198	16,229	717,301	1,124,728
Charges for Services	616,554	0	28,020	644,574
Rental Revenue	74,197	0	0	74,197
Licenses, Permits and Fees	15,566	0	0	15,566
Fines and Forfeitures	76,236	0	3,845	80,081
All Other Revenue	51,549	0	7,790	59,339
<b>Total Revenue</b>	<b>4,708,130</b>	<b>149,389</b>	<b>756,956</b>	<b>5,614,475</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,132,365	0	2,700	2,135,065
Public Health and Welfare Services	6,718	0	13,311	20,029
Leisure Time Activities	126,624	0	0	126,624
Community Environment	0	0	71,793	71,793
Public Works	506,184	0	0	506,184
Transportation	108,512	0	472,954	581,466
General Government	1,354,319	0	18,841	1,373,160
Capital Outlay	0	5,205	131,012	136,217
Debt Service:				
Principal Retirement	0	0	30,400	30,400
Interest and Fiscal Charges	0	0	18,951	18,951
<b>Total Expenditures</b>	<b>4,234,722</b>	<b>5,205</b>	<b>759,962</b>	<b>4,999,889</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	473,408	144,184	(3,006)	614,586
<b>Other Financing Sources (Uses):</b>				
Transfers In	20,083	0	34,030	54,113
Transfers Out	(45,530)	0	(20,083)	(65,613)
<b>Total Other Financing Sources (Uses)</b>	<b>(25,447)</b>	<b>0</b>	<b>13,947</b>	<b>(11,500)</b>
Net Change in Fund Balance	447,961	144,184	10,941	603,086
<b>Fund Balance at Beginning of Year</b>	<b>1,048,346</b>	<b>106,433</b>	<b>388,193</b>	<b>1,542,972</b>
Increase in Inventory	1,085	0	8,817	9,902
<b>Fund Balance End of Year</b>	<b>\$ 1,497,392</b>	<b>\$ 250,617</b>	<b>\$ 407,951</b>	<b>\$ 2,155,960</b>

See accompanying notes to the basic financial statements

## CITY OF CHEVIOT, OHIO

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### ***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, 2014***

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Net Change in Fund Balances - Total Governmental Funds \$ 603,086

***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 depreciation exceeded capital outlay in the current period.

Capital Outlay	230,537	
Depreciation Expense	(287,214)	(56,677)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net position.

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.		(1,375)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		33,134
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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.

Bond Principal Retirement	30,400	
Change in Accrued Interest Payable	255	30,655

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	6,937	
Change in Inventory	9,902	16,839

<b><i>Change in Net Position of Governmental Activities</i></b>		<b><u>\$ 625,662</u></b>
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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, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 1,336,327	\$ 1,418,740	\$ 1,482,520	\$ 63,780
Municipal Income Taxes	1,610,668	1,710,000	1,818,636	108,636
Other Local Taxes	61,224	65,000	64,868	(132)
Intergovernmental Revenues	345,417	366,719	348,957	(17,762)
Charges for Services	631,081	670,000	604,978	(65,022)
Rental Revenue	67,347	71,500	81,286	9,786
Licenses, Permits and Fees	11,727	12,450	15,566	3,116
Fines and Forfeitures	72,056	76,500	76,236	(264)
All Other Revenues	1,912	2,030	53,212	51,182
Total Revenues	<u>4,137,759</u>	<u>4,392,939</u>	<u>4,546,259</u>	<u>153,320</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,228,626	2,408,789	2,206,332	202,457
Public Health and Welfare Services	6,216	6,718	6,718	0
Leisure Time Activities	95,652	103,385	79,569	23,816
Public Works	506,275	547,203	507,857	39,346
Transportation	100,847	109,000	108,512	488
General Government	1,379,651	1,491,182	1,333,056	158,126
Total Expenditures	<u>4,317,267</u>	<u>4,666,277</u>	<u>4,242,044</u>	<u>424,233</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(179,508)	(273,338)	304,215	577,553
<b>Other Financing Sources (Uses):</b>				
Transfers In	210,803	210,803	205,083	(5,720)
Transfers Out	(324,313)	(324,313)	(230,530)	93,783
Total Other Financing Sources (Uses):	<u>(113,510)</u>	<u>(113,510)</u>	<u>(25,447)</u>	<u>88,063</u>
Net Change in Fund Balance	(293,018)	(386,848)	278,768	665,616
Fund Balance at Beginning of Year	759,995	759,995	759,995	0
Prior Year Encumbrances	92,139	92,139	92,139	0
Fund Balance at End of Year	<u>\$ 559,116</u>	<u>\$ 465,286</u>	<u>\$ 1,130,902</u>	<u>\$ 665,616</u>

See accompanying notes to the basic financial statements

**CITY OF CHEVIOT, OHIO**

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**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2014**

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	Business-Type Activities	
	<u>Enterprise Fund</u>	
	<u>Swimming Pool</u>	
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	516
Total Current Assets		<u>516</u>
Noncurrent Assets:		
Non-Depreciable Capital Assets		1,864
Depreciable Capital Assets, Net		<u>57,436</u>
Total Noncurrent Assets		<u>59,300</u>
Total Assets		<u>59,816</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable		<u>1,033</u>
<b>Total Liabilities</b>		<u>1,033</u>
<b>NET POSITION</b>		
Investment in Capital Assets		59,300
Unrestricted		<u>(517)</u>
Total Net Position	\$	<u>58,783</u>

See accompanying notes to the basic financial statements

**CITY OF CHEVIOT, OHIO**

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**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

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	Business-Type Activities
	Enterprise Fund
	Swimming Pool
<b>Operating Revenues:</b>	
Charges for Services	\$ 23,617
<b>Total Operating Revenues</b>	<u>23,617</u>
<b>Operating Expenses:</b>	
Personal Services	16,723
Contractual Services	15,877
Materials and Supplies	3,851
Depreciation	3,718
<b>Total Operating Expenses</b>	<u>40,169</u>
<b>Loss Before Transfers</b>	(16,552)
<b>Transfers:</b>	
Transfers-In	11,500
<b>Total Transfers</b>	<u>11,500</u>
<b>Change in Net Position</b>	(5,052)
<b>Net Position Beginning of Year</b>	<u>63,835</u>
<b>Net Position End of Year</b>	<u>\$ 58,783</u>

See accompanying notes to the basic financial statements

## ***CITY OF CHEVIOT, OHIO***

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***Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2014***

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	Business-Type Activities
	<u>Enterprise Fund</u>
	<u>Swimming Pool</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$23,617
Cash Payments for Goods and Services	(18,714)
Cash Payments to Employees	(16,723)
Net Cash Used by Operating Activities	<u>(11,820)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	<u>11,500</u>
Net Cash Provided by Noncapital Financing Activities	<u>11,500</u>
Net Decrease in Cash and Cash Equivalents	(320)
Cash and Cash Equivalents at Beginning of Year	<u>836</u>
Cash and Cash Equivalents at End of Year	<u><u>\$516</u></u>
 <u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$16,552)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	3,718
Increase in Accounts Payable	<u>1,014</u>
Total Adjustments	<u>4,732</u>
Net Cash Used by Operating Activities	<u><u>(\$11,820)</u></u>

See accompanying notes to the basic financial statements

**CITY OF CHEVIOT, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2014***

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 55,875
Cash and Cash Equivalents in Segregated Accounts	<u>2,446</u>
<b>Total Assets</b>	<u>58,321</u>
<b>Liabilities:</b>	
Intergovernmental Payable	87
Undistributed Monies	<u>58,234</u>
<b>Total Liabilities</b>	<u>\$ 58,321</u>

See accompanying notes to the basic financial statements

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **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, 2014 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. In addition, the City swimming pool operations are reported as an enterprise fund.

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 two organizations which are defined as jointly governed organizations. The organizations are the Ohio-Kentucky-Indiana Regional Council of Governments and the Hamilton County Municipal League. These organizations are presented in Note 12.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **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 (except the resources accounted for in the proprietary funds) 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.

##### ***Proprietary Funds***

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the balance sheet. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The City's only enterprise fund is:

**Swimming Pool Fund** - This fund is used to account for charges to residents to cover the cost of operating the City's swimming pool.

***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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **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 statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but 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 segment of the business-type activities of the City and 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 business segment or 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.

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

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **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, 2014 but which are not intended to finance 2014 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 4.

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

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **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 2014.

## ***CITY OF CHEVIOT, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

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**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)	\$447,961
Increase (Decrease):	
Accrued Revenues at December 31, 2014 received during 2015	(560,752)
Accrued Revenues at December 31, 2013 received during 2014	448,081
Accrued Expenditures at December 31, 2014 paid during 2015	305,645
Accrued Expenditures at December 31, 2013 paid during 2014	(280,407)
2013 Prepaids for 2014	18,834
2014 Prepaids for 2015	(19,125)
Outstanding Encumbrances	(81,469)
Budget Basis	<u>\$278,768</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. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. 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 3, "Cash, Cash Equivalents and Investments."

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **G. Inventory**

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

##### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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.

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These 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 fair market 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.

**CITY OF CHEVIOT, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Capital Assets and Depreciation (Continued)**

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

3. Depreciation

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:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Land Improvements	20
Buildings and Building Improvements	20 – 45
Furniture and Equipment	5 – 20
Infrastructure	10 - 60

**J. Long-Term Obligations**

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

Obligation	Fund
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.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **K. Compensated Absences** (Continued)

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.

##### **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. Pensions**

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

##### **N. Interfund Activity**

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

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **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.

##### **P. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for swimming pool operations. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Q. 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 fiscal year 2014.

##### **R. 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. The City reports no deferred outflows of resources.

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.

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**CITY OF CHEVIOT, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 2 – 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	\$10,789	\$0	\$37,875	\$48,664
Prepaid Items	19,125	0	0	19,125
Unclaimed Funds	3,335	0	0	3,335
Total Nonspendable	<u>33,249</u>	<u>0</u>	<u>37,875</u>	<u>71,124</u>
Restricted:				
Street Improvements	0	0	137,976	137,976
Parking Lot Operations	0	0	20,036	20,036
Sidewalk Maintenance	0	0	9,803	9,803
Shade Tree Program	0	0	622	622
Law Enforcement	0	0	7,363	7,363
Court Improvements	0	0	1,911	1,911
EMS Program	0	0	263	263
Community Environment	0	0	28,177	28,177
Recycling Program	0	0	1,330	1,330
Debt Service	0	0	727	727
Capital Improvements	0	250,617	161,868	412,485
Total Restricted	<u>0</u>	<u>250,617</u>	<u>370,076</u>	<u>620,693</u>
Assigned:				
Other Purposes	660,669	0	0	660,669
Unassigned (Deficits):	803,474	0	0	803,474
Total Fund Balances	<u>\$1,497,392</u>	<u>\$250,617</u>	<u>\$407,951</u>	<u>\$2,155,960</u>

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## ***CITY OF CHEVIOT, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 3 - 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$1,886,680 and the bank balance was \$1,940,393. Federal depository insurance covered \$250,000 of the bank balance and \$1,690,393 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

#### **NOTE 4 - 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 2014 were levied after October 1, 2013 on assessed values as of January 1, 2013, 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 2014. 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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

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**NOTE 4 - 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, 2014 was \$20.13 per \$1,000 of assessed value. The assessed value upon which the 2014 tax levy was based was \$106,520,990. This amount constitutes \$99,443,410 in real property assessed value and \$7,077,580 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.

**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 5 - RECEIVABLES**

Receivables at December 31, 2014 consisted of taxes, accounts receivable and intergovernmental receivables arising from shared revenues.

**NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2014:

Fund	Transfer In	Transfer Out
General Fund	\$20,083	\$45,530
Other Governmental Funds	34,030	20,083
Total Governmental Funds	54,113	65,613
Swimming Pool Fund	11,500	0
Total Proprietary Funds	11,500	0
Totals	\$65,613	\$65,613

Transfers made during the year ended December 31, 2014 included \$45,530 transferred from the General Fund to other funds to provide additional resources for operations and debt service. In addition, \$20,083 of residual fund balance in the City Hall Special Assessment Fund was transferred to the General Fund.

**CITY OF CHEVIOT, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 7 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2014:

**Historical Cost:**

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land	\$274,086	\$0	\$0	\$274,086
<i>Capital assets being depreciated:</i>				
Land Improvements	408,003	9,459	0	417,462
Buildings and Improvements	2,168,179	0	0	2,168,179
Furniture and Equipment	3,790,680	221,078	(80,410)	3,931,348
Infrastructure	3,716,183	0	0	3,716,183
Total Cost	<u>\$10,357,131</u>	<u>\$230,537</u>	<u>(\$80,410)</u>	<u>\$10,507,258</u>

**Accumulated Depreciation:**

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Land Improvements	(\$365,236)	(\$4,317)	\$0	(\$369,553)
Buildings and Improvements	(1,471,383)	(37,116)	0	(1,508,499)
Furniture and Equipment	(3,321,319)	(110,334)	79,035	(3,352,618)
Infrastructure	(849,240)	(135,447)	0	(984,687)
Total Depreciation	<u>(\$6,007,178)</u>	<u>(\$287,214) *</u>	<u>\$79,035</u>	<u>(\$6,215,357)</u>
<b>Net Value:</b>	<u>\$4,349,953</u>			<u>\$4,291,901</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$94,018
Leisure Time Activities	10,238
Public Works	7,725
Transportation	157,122
General Government	18,111
Total Depreciation Expense	<u>\$287,214</u>

**CITY OF CHEVIOT, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 7 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2014:

*Historical Cost:*

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land	\$1,864	\$0	\$0	\$1,864
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	167,300	0	0	167,300
	<u>167,300</u>	<u>0</u>	<u>0</u>	<u>167,300</u>
Total Cost	<u>\$169,164</u>	<u>\$0</u>	<u>\$0</u>	<u>\$169,164</u>

*Accumulated Depreciation:*

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Buildings and Building Improvements	(\$106,146)	(\$3,718)	\$0	(\$109,864)
Total Accumulated Depreciation	<u>(\$106,146)</u>	<u>(\$3,718)</u>	<u>\$0</u>	<u>(\$109,864)</u>
<i>Net Value:</i>	<u>\$63,018</u>			<u>\$59,300</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

**A. Ohio Public Employees Retirement System (“OPERS”)**

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **A. Ohio Public Employees Retirement System (“OPERS”) (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2014, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2014 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 12.0% for calendar year 2014. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City’s contributions for pension obligations to OPERS for the years ending December 31, 2014, 2013, and 2012 were \$115,699, \$125,203 and \$101,666, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2014 were \$2,331 made by the City and \$1,665 made by the plan members.

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, by calling (614) 228-2975, or by visiting [www.op-f.org](http://www.op-f.org).

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)**

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2014, 19.0% of annual covered salary for police and 23.5% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2014, 2013, and 2012 were \$106,670, \$111,465 and \$76,809 for police officers and \$110,420, \$117,828 and \$90,421 for firefighters, respectively, which were equal to the required contributions for each year.

#### **NOTE 9 - POSTEMPLOYMENT BENEFITS**

##### **A. Ohio Public Employees Retirement System (“OPERS”)**

Plan Description – 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 plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS’ eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. Ohio Public Employees Retirement System (“OPERS”) (Continued)**

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2014, 2013, and 2012 were \$19,283, \$9,631 and \$40,667, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

##### **B. Ohio Police and Fire Pension Fund (“OP&F”)**

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)**

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. 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% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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 2014, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. 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 also is 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 contributions for health care to the OP&F for the years ending December 31, 2014, 2013, and 2012 were \$2,807, \$25,381 and \$40,663 for police and \$2,349, \$20,907 and \$35,382 for firefighters, respectively, which were equal to the required contributions for each year.

**CITY OF CHEVIOT, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 10 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2014 was as follows:

			Balance			Balance		Amount Due
		Maturity	December 31,	Additions	Deductions	December 31,	Within	
		Date	2013			2014	One Year	
<b>Governmental Activities:</b>								
General Obligation Bonds Payable:								
Energy Efficiency Improvements	3.375%	2027	\$455,000	\$0	(\$20,000)	\$435,000	\$20,000	
Ambulance	3.500%	2023	114,900	0	(10,400)	104,500	10,700	
Total General Obligation Bonds Payable			<u>569,900</u>	<u>0</u>	<u>(30,400)</u>	<u>539,500</u>	<u>30,700</u>	
Compensated Absences			118,960	4,512	(11,449)	112,023	9,613	
Total Governmental Activities			<u>\$688,860</u>	<u>\$4,512</u>	<u>(\$41,849)</u>	<u>\$651,523</u>	<u>\$40,313</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 \$10,645,204 at December 31, 2014. 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.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014 are as follows:

Years	General Obligation Bonds		
	Principal	Interest	Totals
2015	\$30,700	\$17,909	\$48,609
2016	31,200	16,864	48,064
2017	36,500	15,701	52,201
2018	36,900	14,451	51,351
2019	42,400	13,101	55,501
2020-2024	221,800	42,404	264,204
2025-2027	140,000	7,257	147,257
Totals	<u>\$539,500</u>	<u>\$127,687</u>	<u>\$667,187</u>

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 11 - 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 2014, 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	\$8,411,677	\$1,000
General Liability	3,000,000	0
Automobile	1,000,000	500
Umbrella Coverage	4,000,000	0
Public Official	2,000,000	0
Police Professional	1,000,000	0

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 12 – 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.

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## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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.

Payments to OKI are made from the General Fund. No financial contributions were made by the City during 2014. 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.

***Hamilton County Municipal League*** – The City participates in the Hamilton County Municipal League (HCML), a jointly governed organization. HCML members are represented by the Mayor or his designee from the incorporated municipalities of Hamilton County. Any member municipality may nominate for membership a municipality located outside Hamilton County. The purpose of the HCML is the furtherance of local government, the improvement of municipal government and services, promotion of general welfare of the cities and villages, to provide an opportunity for the municipalities to meet as a group for the discussion of mutual problems and to provide training or educational programs as may be deemed appropriate.

The HCML charges an annual membership fee as determined by the Board of Directors and confirmed by a majority of the membership of the HCML. This Board consists of the five officers elected by a majority vote and the Mayor of the City of Cincinnati or his designee. This Board was created to conduct the business of the HCML.

Any member may withdraw its membership upon written notice to the HCML. A member shall also cease to be a member in good standing if the dues are not paid at the annual meeting. If the organization were to dissolve, HCML's net position shall revert to the said public bodies in proportion to each body's contribution towards the assets.

Payments to the HCML are made from the General Fund. The City contributed \$675 to the HCML during 2014. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 13 – 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 1<sup>st</sup> thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30<sup>th</sup> of each year next preceding the January 1<sup>st</sup> 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 1<sup>st</sup> thereafter based on the Consumer Price index published by the U.S. Bureau of Labor Statistics on September 30<sup>th</sup> of each year next preceding the January 1<sup>st</sup> 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.

##### **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, Parcel148, and which is more particularly described in Exhibit A, and is referred to as the Mercy Hospitals West JEDD territory.

## **CITY OF CHEVIOT, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2014***

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#### **NOTE 13 – JOINT ECONOMIC DEVELOPMENT DISTRICTS (Continued)**

##### **C. JEDD District III (Continued)**

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 1<sup>st</sup> 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 30<sup>th</sup> 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 21<sup>st</sup> 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.

#### **NOTE 14 - CONTINGENCIES**

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

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# Dave Yost • Auditor of State

## 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2017.

### ***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 opinions 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 1, 2017



# Dave Yost • Auditor of State

CITY OF CHEVIOT

HAMILTON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 14, 2017