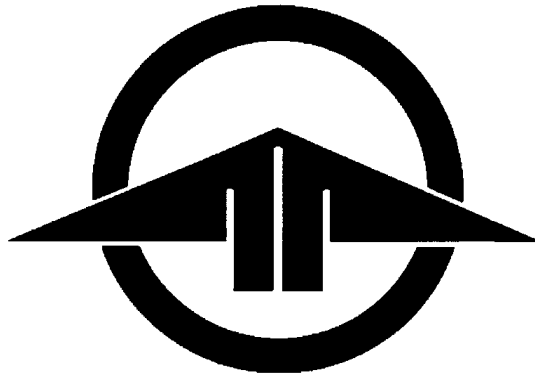


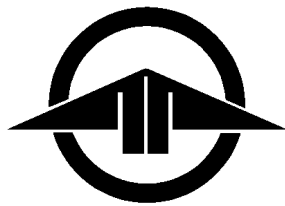
CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2019



Prepared by:
Department of Finance
Nancy H. Gregory, CPA, Director



CITY OF KETTERING

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FOR THE YEAR ENDED DECEMBER 31, 2019****TABLE OF CONTENTS**

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INTRODUCTORY SECTION



March 27, 2020

Honorable Mayor, Members of City Council
and Citizens of Kettering, Ohio:

The Comprehensive Annual Financial Report for the City of Kettering for the year ended December 31, 2019, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City provides various services including police and fire protection, parks, recreation and cultural arts, street maintenance, planning, zoning and other general governmental services. The City does not maintain utility operations. Montgomery County, Greene County, Beavercreek, Centerville, Kettering, Sugarcreek and West Carrollton School Districts, Miami Conservancy District, Miami Valley Regional Transit Authority, Ohio Police and Fire Pension Fund and the Ohio Public Employees Retirement System have not met the established criteria for inclusion in the reporting entity and are excluded from this report. In addition, the City is one of twenty-one local cities involved in a public entity risk pool, Miami Valley Risk Management Association, Inc. This separate entity does not meet the established criteria for inclusion in the reporting entity and, accordingly is not included in the City's financial report.

HISTORY AND BACKGROUND

Kettering was established as a village in 1952. Three years later, it achieved City status, adopted a Home Rule Charter and approved the Council/Manager form of government. The City of Kettering was named for its most outstanding citizen, Charles F. Kettering, a well-known philanthropist and inventor. Kettering invented the automotive self-starter, and the "Bug," the world's first robot plane.

The City operates under a Council/Manager form of government with a Mayor and six City Council

members elected on a non-partisan basis for a term of four years. Kettering is known as a leader in many areas of municipal government, including financial reporting, traffic system management, police services, parks, recreation and cultural arts programs, intergovernmental cooperation and successfully structured volunteer programs. Kettering citizens are known for their community spirit and involvement. In fact, Kettering is commonly known as the "City of Volunteers."

The quality of living in any city can be measured best by the satisfaction of the residents with the services they receive. In Kettering, people like what they find. A recent survey showed that 97% of residents are satisfied with Kettering as a place to live.

ECONOMIC CONDITION AND OUTLOOK

The current economic conditions in Kettering are positive. Although there was a decline in employment during the recession, employment has been increasing over the past few years. This has a direct impact on our largest General Fund revenue, income tax. The vote of our residents to increase the income tax rate effective January 1, 2007 increased our General Fund significantly during 2007 and 2008. That vote put the City in a better position to weather the financial challenges of the uncertain economy. In addition, the City implemented mandatory filing of municipal income tax for all residents ages eighteen and older. Mandatory filing is effective for tax years beginning January 1, 2012. This move has resulted in the establishment of a more accurate tax base allowing for more efficient follow up and improved delinquency collections. Total 2019 income tax revenue increased 8.0% following a slight decrease in 2018 resulting from individual and business tax filings that reflected responses to the federal income tax law changes.

The diversity of Kettering's employment base serves to diminish the overall impact of declines in employment whether from general economic conditions such as a recession, a relocation of a business or general employment changes. The business base ranges from some major employers headquartered in Kettering to many midsize companies specializing in technology or professional services down to smaller family owned businesses.

Kettering's largest employers include Kettering Medical Center (KMC), Synchrony Financial, and Reynolds & Reynolds. KMC employs 3,570. KMC completed construction on a state of the art command center in the Kettering Business Park in late 2018 and opened operations in early 2019. The facility handles all scheduling and patient management for the entire health network and could eventually house up to 300 employees. Synchrony Financial is a leading provider of financial services to consumers and retailers in 47 countries around the world. They offer a range of products including credit, promotional financing, loyalty programs, and installment lending. The company currently employs 1,900 at their Kettering Business Park (KBP) location. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, is a market leader delivering information technology, software solutions and professional services that support automobile retailing. The company employs 1,350 at its Miami Valley Research Park campus. Other major employers in the city include Kettering City Schools, Mast Global Digital (formerly Limited Brands, Inc.) a catalogue order center for Victoria's Secret, and a number of engineering firms, computer hardware and software companies, and service related businesses.

The City has much to report regarding new employment, expansion and redevelopment. After completing the purchase of nearly 300 acres of unimproved land from the Miami Valley Research Foundation at the end of 2017, the City is working to market the land remaining for development and work with existing tenants to explore expansion opportunities. Community Tissue Services (CTS) continued construction on a 132,000 square foot expansion at its Miami Valley Research Park facility. This expansion will more than double the current footprint allowing for additional processing capabilities, marketing, distribution and supply chain management. The completed project in 2020 will create an additional 200 jobs at the Center for Tissue Innovation and Research. Tenneco is one of the leading designers, manufacturers and marketers of Ride Performance and Clean Air products and technology for various vehicles. The company made significant improvements and major equipment purchases for the Woodman Drive facility during 2019. Tenneco plans to continue increasing employment through 2020. Kettering welcomed the Dayton Vet Center also located on Woodman Drive during 2019. The center offers a wide range of services for our military veterans and their families. Alternate Solutions Health Network is a regional provider of at home health care and was founded by a Kettering couple. The company purchased an existing 200,000 square foot facility at the Kettering Business

Park (KBP) in 2016. After more than \$4 million in investment, the company continues to thrive and expand in their new headquarters with expected growth in employment of 500 jobs. Also in 2019, the City sold 14 acres of land and a largely vacant 200,000 square foot warehouse, Building #2, at KBP to a developer. The developer demolished the building and constructed a 100,000 square foot distribution center for Amazon. The facility is a "last-mile" package distribution center with associated delivery vehicle parking areas. Amazon began processing packages in July 2019 and is now fully staffed with about 400 part-time employees plus 6 companies providing drivers for the operation.

Infrastructure investment is also a priority for the City. One significant example is the continued implementation of the plan developed by the Wilmington Pike Improvement Committee to regenerate investment and spur economic development along the Wilmington Pike corridor. The Demolition Program provides financial assistance to commercial and residential property owners in the Program Designated Area to assist with the demolition of structures and clearing of sites for purposes of redevelopment. A major streetscape improvement project in the corridor between Stroop and Marshall Roads completed in early 2018 brought new streetlights, abundant street trees, and decorative banners. A new 8-foot multi-use path on the west side of the corridor offers a connection to existing regional bikeways and improved pedestrian access to businesses. The City purchased three additional properties deemed unsuitable for reuse in 2019. The buildings were demolished, the sites were cleared for redevelopment, and the landscaping was improved. The lots are now on the market for reinvestment. As improvements along Wilmington Pike continue, reinvestment by businesses is occurring in this area. Eudora Brewing transformed a vacant and deteriorating Pep Boys building into a destination brewery. Construction on the new Wilmington Stroop Library branch was completed and reopened in 2019. Finally, Popeye's Chicken and Burger King constructed new restaurants near the Stroop and Wilmington intersection and Valvoline constructed a stand-alone location at the Dorothy and Wilmington intersection. The City will continue to act as a catalyst for reinvestment in this vital area in future years.

After completion of a significant capital investment with the construction of four new fire stations, the City now turns its attention to a major renovation to the Kettering Police Department (KPD) headquarters. The fourth new fire station was placed in service at the end of 2018. As part of this significant project,

the City issued General Obligation debt for \$15.5 million, about half the project cost. The debt service payments come from a portion of the City's EMS revenues. The KPD renovation involves adding a second story to the existing headquarters and renovating the existing space to meet the needs of a modern police department. The project estimate is \$8.3 million and should be complete by the end of 2021. The City issued General Obligation debt to pay for the project. In conjunction with the issuance of debt, Moody's Investors Service reaffirmed the City's bond rating at Aa1.

Kettering participates in ED/GE, a revenue sharing program that includes about thirty communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. The City has benefited significantly in the past from this program and will continue to apply for future funds as eligible opportunities become available. The ED/GE program was to expire after 2019, but a new agreement has extended the program for an additional ten years.

A significant area of emphasis for this organization is long term financial planning. This includes preparation of a five year capital improvement program and a long range financial forecast. Additional practices are discussed under Long Term Financial Policies in the City's 2020 Budget message. These policies include the development each year of a balanced budget where the appropriations for any given year shall not exceed the sum of available cash balances, less reserves, plus revenues to be received during the year. In addition, current year operating expenditures and debt service obligations shall be covered using current year operating revenues. In the area of debt, the City shall not issue long-term debt to pay for current operations. The City's focus on economic development combined with the existing variety of businesses located within Kettering are significant factors affecting the future economic strength of this community. Promoting Kettering as a good place to do business for new businesses, as well as existing businesses, will continue to be one of our highest priorities.

For a more in-depth analysis of the City's current economic condition, please see the Management Discussion and Analysis (MD&A) portion of the report starting on page 5 of the Financial Section.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund are included in the annual appropriated budget. For more detailed budget information, please see the Notes to the Required Supplementary Information on page 61 of this report.

OTHER INFORMATION

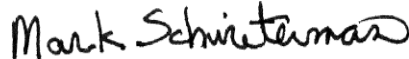
Independent Audit. The basic financial statements of the City of Kettering were audited by Plattenburg & Associates, Inc. Certified Public Accountants. See page 2 of the Financial Section of this report for their unmodified opinion.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Kettering has received a Certificate of Achievement for the last 37 consecutive years (fiscal years ended 1982-2018).

We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA. In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning January 1, 2019. The City of Kettering has received a Distinguished Budget Presentation Award for the last 34 consecutive years (fiscal years beginning 1986-2019). In order to receive this award, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

Acknowledgements. A note of sincere appreciation is extended to the many conscientious people who have contributed so much of their time and effort to the preparation of this report. The Finance Department staff, in particular, are to be commended for their commitment to professional excellence as exemplified by the contents of this report. Finally, contributions to the financial condition of the City of Kettering by the Mayor, members of City Council, Assistant City Manager and Department Directors cannot be overemphasized. Their guidance and support represent invaluable factors necessary for the City to continue to manage the financial affairs and reporting requirements of municipal government within the Kettering Community.

Respectfully submitted,



Mark Schwieterman
City Manager



Nancy H. Gregory, CPA
Director of Finance

CITY OF KETTERING, OHIO

CITY OFFICIALS

Donald E. Patterson, Mayor
Bill Lautar, Vice Mayor
Bruce E. Duke
Jacque Fisher
Tony Klepacz
Rob Scott
Joseph D. Wanamaker

CITY MANAGER

Mark Schwieterman

INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.
Certified Public Accountants

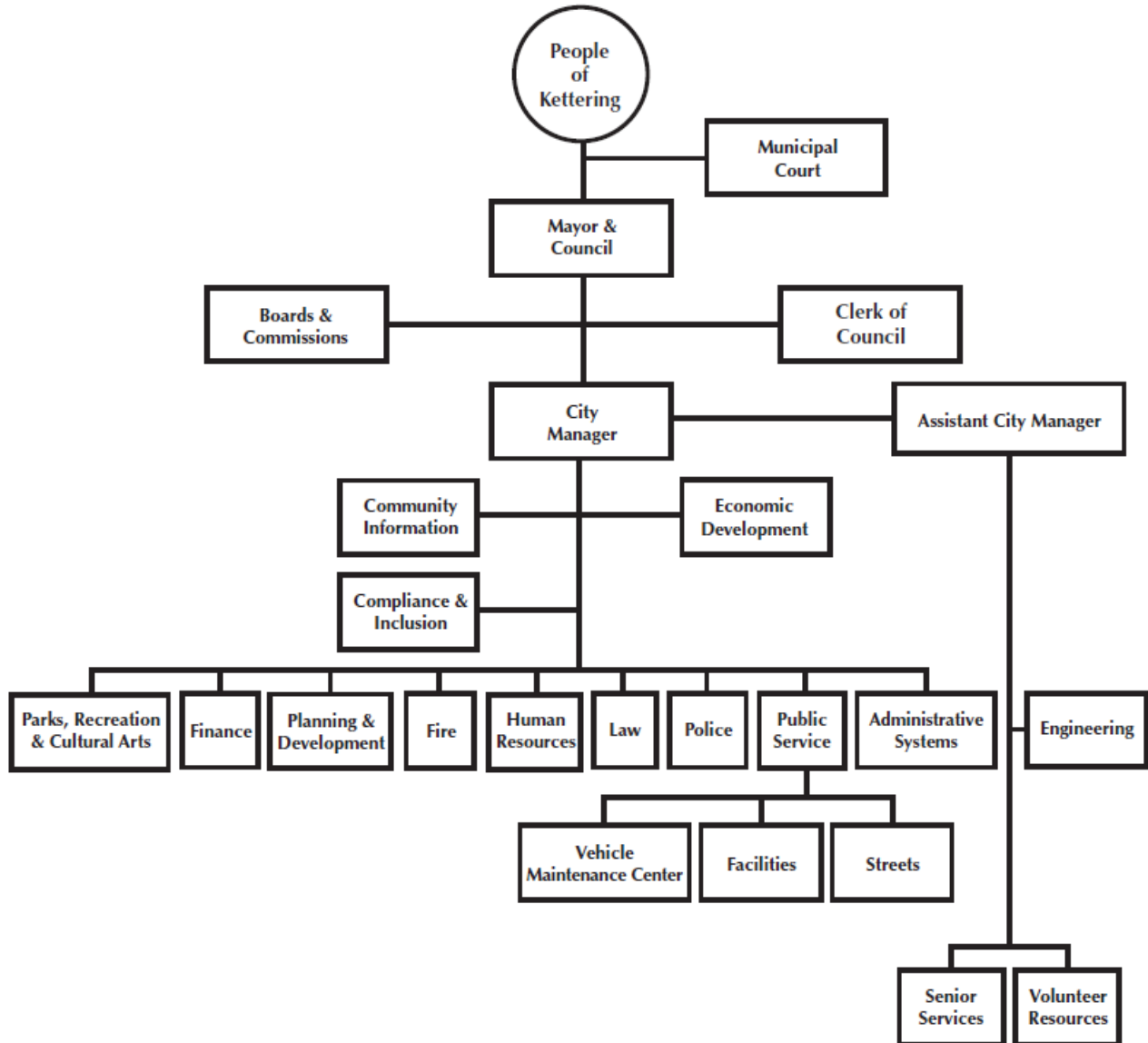
CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

Nancy H. Gregory, CPA	Finance Director
Marcy K. Bare, CPA	Assistant Finance Director
Kelly M. O'Connell, CPA	Budget Manager
Estelle O. Gibson, CPA	Purchasing Manager
Martin J. Van Oss, CPA	Tax Manager
Tracy L. Roesle	Secretary
Sharin L. Snively	Financial Analyst
Rachel F. Dexter, CPA	Financial Analyst
Rhonda L. South	Finance Technician II
Lynn A. Blumenschein	Finance Technician II - Part-Time
Kimberly M. Koogler	Finance Technician II
Jeri N. Evenden	Finance Technician II
Lindsey J. Miles	Finance Technician II
Christopher E. Cottrill	Finance Technician II
Matthew H. Keele	Finance Technician II
Gabriel W. Garnett	Finance Technician II
Kimberly L. Stevens, CPA	Finance Technician I - Part-Time
Julie M. Byerly	Finance Technician I
Joyce A. Foley	Finance Technician I
Michelle R. Robinson	Finance Technician I
Victoria L. Adams	Finance Clerk
Robin K. Bauer	Finance Clerk - Part Time

City of Kettering 2019 Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

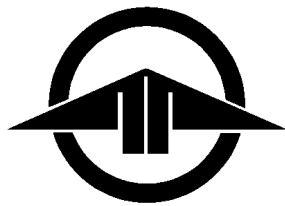
City of Kettering
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO



CITY OF KETTERING

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council,
and City Manager
City of Kettering, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City) as of and for the year ended December 31, 2019, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with 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 that the management's discussion and analysis, budgetary comparison information and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes are fairly stated in all material respects in relation to the basic financial statements as a whole.

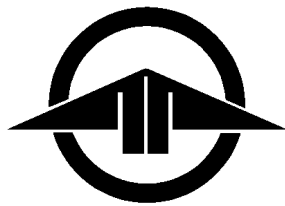
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
March 27, 2020



CITY OF KETTERING

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Our discussion and analysis of the City of Kettering's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

1. Net position increased \$19,262,800 or 14.0% while unrestricted net position increased \$18,407,300 or 73.1%. The majority of these increases are the result of GASB 68/75 pension and OPEB-related reporting. See "THE CITY AS A WHOLE" on page 6 for details.
2. Total revenues increased 9.5% while total expenses decreased 27.1%.
3. Charges for services increased 4.3%.
4. Operating grants and contributions decreased 7.0% and capital grants and contributions increased 116.4%.
5. Income taxes increased \$4,159,400 or 8.8%.
6. Investment earnings increased \$616,100 or 40.0%.
7. Total costs of services decreased 27.1%, while net costs of services decreased 35.6%.
8. The General Fund reported an increase in fund balance of \$666,400.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts in a fiduciary capacity, holding assets solely for the benefit of other governments, organizations, or individuals.

Reporting the City as a Whole*The Statement of Net Position and the Statement of Activities*

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that help answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. You can think of the City's net position — the difference between assets, deferred outflows and liabilities, deferred inflows — as one way to measure the City's financial health. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, the condition of the City's roads, the condition of the City's neighborhoods, and the reputation of the public schools to assess the overall health of the City.

Reporting the City's Most Significant Funds*Fund Financial Statements*

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information about the most significant funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the Finance Director establishes many other funds to help

control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds — governmental and proprietary — use different accounting approaches.

- **Governmental funds** — Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds** — The City uses internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. An example of an internal service fund would be the City's Administrative Operations Fund, which accounts for activities of the Vehicle Maintenance Center, the Print Shop, and others. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for assets that — because of a trust arrangement — can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on page 21. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018:

TABLE 1

NET POSITION

	2019	2018
Current and other assets	\$114,834,158	\$115,711,652
Capital assets	179,845,112	181,054,014
Total assets	<u>294,679,270</u>	<u>296,765,666</u>
Deferred outflows of resources	<u>35,569,688</u>	<u>22,640,662</u>
Long-term debt outstanding	(26,716,224)	(28,235,212)
Net pension and OPEB liability	(122,422,342)	(126,389,596)
Other liabilities	(8,247,286)	(7,456,864)
Total liabilities	<u>(157,385,852)</u>	<u>(162,081,672)</u>
Deferred inflows of resources	<u>(15,983,426)</u>	<u>(19,707,741)</u>
Net position:		
Net investment in capital assets	158,460,521	157,924,500
Restricted	5,193,711	4,874,243
Unrestricted	<u>(6,774,552)</u>	<u>(25,181,828)</u>
Total net position	<u><u>\$156,879,680</u></u>	<u><u>\$137,616,915</u></u>

The largest impacts on the City's financial statement in 2019 had absolutely no impact on the City's financial condition; GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB

Statement 27” and GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. GASB 68 and GASB 75 required the City to recognize a pension/OPEB liability of over \$122 million. For reasons discussed below, this liability serves only to distort the true financial position of the City. Users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB. The resulting net position would be \$249,423,600 which is \$93 million more than the net position reported.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68 and GASB 75, the net pension liability and the net OPEB liability equal the City’s proportionate share of each plan’s collective:

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

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

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

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

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

TABLE 2
CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$12,053,315	\$11,553,337
Operating grants and contributions	1,446,630	1,556,208
Capital grants and contributions	4,050,782	1,871,684
General revenues:		
Income taxes	51,649,781	47,490,344
Property taxes	7,008,117	6,942,631
Other taxes	4,644,136	3,745,264
Investment earnings	2,156,124	1,539,998
Other general revenue	4,555,756	5,289,779
Total revenues	<u>87,564,641</u>	<u>79,989,245</u>
Program expenses		
General government	21,602,096	19,692,377
Police	4,716,597	19,660,703
Fire	1,891,292	18,131,408
Public works	18,628,436	16,800,509
Leisure services	20,869,470	18,619,650
Interest on long-term debt	593,985	745,258
Total expenses	<u>68,301,876</u>	<u>93,649,905</u>
Increase (decrease) in net position	<u>19,262,765</u>	<u>(13,660,660)</u>
Net position beginning, restated	<u>137,616,915</u>	<u>151,277,575</u>
Net position ending	<u>\$156,879,680</u>	<u>\$137,616,915</u>

For 2019 the City produced a 14.0% increase in total net position. Revenues generated were \$87.6 million and expenses from all programs were \$68.3 million resulting in a surplus for the year of \$19,262,800. The unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$18,407,300. As stated above, the requirement that the City recognize a pension/OPEB liability of over \$122 million distorts the City's net position and unrestricted net position.

Explanations for the larger fluctuations between years are as follows:

- Income tax revenues increased due to a continued healthy economy and due to timing differences related to federal law changes. Federal tax law changes caused income tax revenues to be lower than expected in 2018 and higher than expected in 2019.
- Capital grants and contributions were higher as a result of 2019 projects with federal and state funding.
- Investment earnings increased due to higher interest rates and market conditions that positively impacted the fair market value of the City's investment portfolio.
- Other taxes increased due to the Ohio gas tax increase that went into effect July 2019.
- Miscellaneous revenues decreased due to the 2018 sale of land in Miami Valley Research Park and Governor's Place.

The following table presents the cost of each of the City's four largest programs – police, fire, public works and leisure services – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

TABLE 3
GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Police	\$4,716,597	\$19,660,703	\$4,648,370	\$19,623,316
Fire	1,891,292	18,131,408	294,184	16,713,639
Public works	18,628,436	16,800,509	14,561,904	14,907,715
Leisure services	20,869,470	18,619,650	12,259,834	10,539,780
All others	21,602,096	19,692,377	18,392,872	16,138,968
	<u>\$67,707,891</u>	<u>\$92,904,647</u>	<u>\$50,157,164</u>	<u>\$77,923,418</u>

Total costs of services for 2019 decreased by \$25,196,800 while net costs of services decreased by \$27,766,300. Both decreases are primarily a result of a change in model for provision of health care stipends for retirees in the Ohio Police & Fire Pension Fund (OP&F).

As explained on page 7, the provisions of GASB Statements 75 and 68 distort the true financial position of the City. The same provisions require the City to recognize a pension/OPEB adjustment that reduces expenses by \$20.2 million. As a result, it is difficult to ascertain the true operational cost of services and the change in cost of services from year to year. The chart below shows total costs of services and net cost of services by function with the GASB Statements 75 and 68 pension and OPEB costs removed.

TABLE 4
GOVERNMENTAL ACTIVITIES - GASB 75 & 68 PENSION/OPEB COSTS REMOVED

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Police	\$17,246,471	\$16,405,300	\$17,178,244	\$16,367,913
Fire	15,493,073	15,244,216	13,895,965	13,826,447
Public works	17,064,128	15,943,380	12,997,596	14,050,586
Leisure services	18,739,917	17,635,001	10,130,281	9,555,131
All others	19,410,729	18,428,909	16,201,505	14,875,500
	<u>\$87,954,319</u>	<u>\$83,656,807</u>	<u>\$70,403,592</u>	<u>\$68,675,578</u>

As shown in Table 4, total costs of services for 2019 increased by \$4,297,500 while net costs of services increased by \$1,728,000. Total costs increased due to greater expenditures for roadway projects, design costs for the remodel of the police station, the addition of two full time employees in Parks, Recreation & Cultural Arts and increased performance costs at the Frazee Pavilion. Net costs of services increased by a lesser amount because of increased grant revenue for roadway projects and increased receipts from the Frazee Pavilion.

The capital asset activity for the year was normal. Capital asset additions totaled \$11.7 million compared to \$12.7 million in 2018. 2019's largest addition included over \$8.7 million in street improvements. Total net capital assets for 2019 were \$179,845,112. Of this total, \$11,539,208 was not being depreciated and the capital assets being depreciated totaled \$330,380,759 with accumulated depreciation of \$162,074,855.

During 2019 the City issued \$6,825,000 of General Obligation debt to refund the outstanding balance of the Recreation and parks issue. During the debt issuance process, Moody's Investors Service reaffirmed the City's bond rating of Aa1. At December 31, 2019, the City had various debt issues outstanding, which included \$20,510,000 of general obligation bonds and \$598,122 of promissory notes. As of December 31, 2019, the City's net general obligation bonded debt of \$20,786,469 was well below the legal limit of \$121,128,614 and debt per capita equaled \$381.

For more detail on capital asset and long-term debt activity, refer to note 7 and note 12 respectively in the Notes to the Basic Financial Statements.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheets on pages 14 and 15) reported a combined fund balance of \$79.8 million, which is 2.4% lower than last year's total of \$81.8 million.

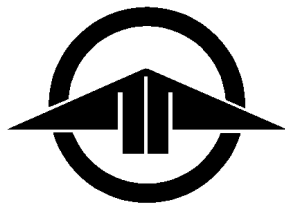
In 2013 the City received a one-time estate tax distribution of over \$42 million dollars. This estate tax distribution consisted of 2 large estates, one being the largest estate ever settled in Montgomery County Ohio. In the past, The City has relied on revenues derived from Ohio's estate tax to pay for capital improvements in the city. The Ohio General Assembly abolished the estate tax effective in 2013. In prior years, on average, the City received \$3,000,000 per year that was placed in the Capital Projects Fund. Consistent with established policy and past practice of using estate tax revenues to fund capital projects and in response to the abolishment of the estate tax, City Council passed legislation in 2013 to commit the \$40 million to the Capital Projects Fund. The legislation states that the funds are to be expended for future capital improvement projects at a rate of \$3,000,000 per year until the \$40 million is exhausted.

The City's General Fund experienced a \$3,959,400, or 6.5% overall increase in revenues for 2019. At the same time expenditures decreased by \$103,900 or .2%, and transfers out increased by \$559,900 or .03%. The City's General Fund balance increased in 2019 by \$666,400. The increase in income tax revenue accounts for the majority of the increase in total revenues. Investment earnings also increased. (See page 8 for detail on the increases in income tax and investment earnings.) Refunds and reimbursements decreased due to the timing of an insurance reimbursement. Transfers out to the Parks, Recreation & Cultural Arts fund increased due to increased expenditures in that fund. Total revenues for the General Fund were \$64.8 million while total expenditures were \$47.8 million. Transfers to other funds totaled \$17.3 million resulting in the \$666,400 increase to the General Fund balance.

Revenues in the Street Maintenance fund increased by \$421,300 or 14.8%. This increase was due to an increase in the Ohio gas tax that was effective during 2019. Parks, Recreation & Cultural Arts saw an increase in expenditures due to adding two full-time positions and purchases of equipment. The Community Development fund saw decreases in both revenues and expenditures during 2019. The decreased activity was due to a freeze on funding through the Dayton Consortium. The Frazee Pavilion Fund saw an increase in revenues from ticket sales and an increase in expenditures due to higher performance costs. The Emergency Medical fund transferred \$29,937 out to the Capital Projects Fund. This money helped fund the construction and equipping of a new fire station. Revenues in the Capital Projects fund increased by \$2.6 million or 98.0%. This increase was due to increased grant revenue for roadway projects. There were no other material changes to the major funds in 2019.

There was a significant variance between General fund actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of lower than expected expenditures in the Capital Projects Fund, the required transfers were reduced.

As mentioned above, 2019 produced a small increase to the General Fund balance. This increase can be attributed primarily to increased income tax revenues. The increase in the General Fund balance would have been greater; however, the City continues to focus on capital improvements with a planned reduction of the General Fund. With the current healthy economy, it is anticipated that income tax revenues will remain strong in the coming year. The City is still dealing with the State's total elimination of the estate tax in 2013.



CITY OF KETTERING

STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS	
Pooled cash and investments (note 2)	\$82,323,481
Receivables:	
Income taxes (net of allowance for \$1,534,714)	10,335,089
Property taxes	7,170,042
Payments in lieu of taxes	514,000
Interest	538,643
Accounts	255,962
Special assessments	1,170,000
Loans (net of allowance for \$45,041)	6,174,463
Due from other governments	2,753,842
Prepaid expenses	303,404
Inventory	583,842
Assets held for resale	2,711,390
Capital assets not being depreciated (note 7)	11,539,207
Capital assets being depreciated, net (note 7)	168,305,905
Total assets	<u>294,679,270</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB	35,569,688
Total deferred outflows	<u>35,569,688</u>
LIABILITIES	
Accounts payable	2,870,787
Salary and benefits payable	2,423,725
Accrued interest payable	48,999
Accrued health claims	640,200
Unearned revenue	2,263,575
Noncurrent liabilities (note 12)	
Due within one year	4,911,402
Due in more than one year	
Net pension and OPEB liability	122,422,342
Other amounts	21,804,822
Total liabilities	<u>157,385,852</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes	8,340,042
Grants, other taxes and payments in lieu of taxes	1,952,163
Pension and OPEB	5,691,221
Total deferred inflows	<u>15,983,426</u>
NET POSITION	
Net investment in capital assets	158,460,521
Restricted for:	
Debt service	1,149,303
Social services	1,283,651
Public safety	396,502
Road construction/Public works	275,921
Leisure services	47,492
Municipal court activities	2,040,842
Unrestricted	(6,774,552)
Total net position	<u>\$156,879,680</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$21,602,096	\$2,419,396	\$789,828	\$0	(\$18,392,872)
Police	4,716,597	23,200	45,027		(4,648,370)
Fire	1,891,292	1,556,348	40,760		(294,184)
Public works	18,628,436	15,750		4,050,782	(14,561,904)
Leisure services	20,869,470	8,038,621	571,015		(12,259,834)
Interest on long-term debt	593,985				(593,985)
Total	<u>\$68,301,876</u>	<u>\$12,053,315</u>	<u>\$1,446,630</u>	<u>\$4,050,782</u>	<u>(50,751,149)</u>
General revenues:					
Taxes:					
					51,649,781
					6,191,991
					816,126
					810,024
					2,644,079
					765,014
					154,806
					270,213
					1,003,023
					436,314
					2,156,124
					2,144,554
					971,865
					<u>70,013,914</u>
					19,262,765
					137,616,915
					<u>\$156,879,680</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	\$38,096,353	\$796,168	\$599,123	\$1,998,838
Receivables:				
Income taxes (net of allowance for \$1,534,714)	10,335,089			
Property taxes	6,045,042			
Payments in lieu of taxes				
Interest	538,643			
Accounts	21,480		41,634	3,172
Special assessments	400,000			
Loans (net of allowance for \$45,041)	5,318,163			
Due from Other Special Revenue fund	22,997			
Due from other governments	816,695	1,367,373		3,556
Prepaid expenditures	204,232	21,875	37,746	19,249
Inventory		248,855		
Assets held for resale	2,711,390			
Total assets	<u>\$64,510,084</u>	<u>\$2,434,271</u>	<u>\$678,503</u>	<u>\$2,024,815</u>
LIABILITIES				
Accounts payable	\$1,037,214	\$38,977	\$297,072	\$45,756
Due to General fund				
Accrued payroll	1,683,367	151,107	225,096	14,506
Unearned revenue	1,748,278		85,294	421,002
Total liabilities	<u>4,468,859</u>	<u>190,084</u>	<u>607,462</u>	<u>481,264</u>
DEFERRED INFLOWS OF RESOURCES				
Income taxes	6,555,265			
Property taxes	6,445,042			
Grants, other taxes and payments in lieu of taxes	2,237,670	1,079,700		
Total deferred inflows of resources	<u>15,237,977</u>	<u>1,079,700</u>		
FUND BALANCES				
Nonspendable: Inventory, prepaids and loans	6,795,622	270,730	37,746	19,249
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	90,564			
Public safety	817,452			
Road construction / Public works	417,571	893,757		
Leisure services			33,295	1,524,302
Economic development	307,346			
Other purposes	155,562			
Assigned for future appropriations	2,644,380			
Unassigned:	33,574,751			
Total fund balances	<u>44,803,248</u>	<u>1,164,487</u>	<u>71,041</u>	<u>1,543,551</u>
Total liabilities, deferred inflows & fund balances	<u>\$64,510,084</u>	<u>\$2,434,271</u>	<u>\$678,503</u>	<u>\$2,024,815</u>

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
\$373,725	\$347,536	\$1,060,648	\$27,060,469	\$3,869,629	\$74,202,489
		816,000		309,000	10,335,089
			514,000		7,170,042
					514,000
					538,643
	41,937	125,812	12,500	1,479	248,014
			770,000		1,170,000
856,300					6,174,463
					22,997
83,045		58,600	11,345	155,076	2,495,690
415				366	283,883
					248,855
					2,711,390
<u>\$1,313,485</u>	<u>\$389,473</u>	<u>\$2,061,060</u>	<u>\$28,368,314</u>	<u>\$4,335,550</u>	<u>\$106,115,555</u>
\$29,834	\$2,233	\$6,699	\$1,179,222	\$53,641	\$2,690,648
				22,997	22,997
				205,384	2,279,460
				9,000	2,263,574
<u>29,834</u>	<u>2,233</u>	<u>6,699</u>	<u>1,179,222</u>	<u>291,022</u>	<u>7,256,679</u>
					6,555,265
		816,000	770,000	309,000	8,340,042
83,045	10,153	89,058	514,000	132,697	4,146,323
<u>83,045</u>	<u>10,153</u>	<u>905,058</u>	<u>1,284,000</u>	<u>441,697</u>	<u>19,041,630</u>
				366	7,123,713
		1,149,303			1,149,303
1,200,606					1,200,606
				363,352	363,352
				188,421	188,421
				47,492	47,492
				2,040,842	2,040,842
				7,539	98,103
	377,087			14,900	1,209,439
			507,524		1,818,852
			869,807	864,607	3,292,011
					307,346
			24,527,761	75,312	24,758,635
					2,644,380
					33,574,751
<u>1,200,606</u>	<u>377,087</u>	<u>1,149,303</u>	<u>25,905,092</u>	<u>3,602,831</u>	<u>79,817,246</u>
<u>\$1,313,485</u>	<u>\$389,473</u>	<u>\$2,061,060</u>	<u>\$28,368,314</u>	<u>\$4,335,550</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 12) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	178,817,554
Other noncurrent assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	6,555,265
Grants and other taxes receivable	2,452,310
Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	2,640,206
The following noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(21,384,591)
Pension and OPEB	(87,062,175)
Vacation and sick leave benefits	(4,907,136)
Accrued interest on bonds payable	(48,999)
Net Position of Governmental Activities	<u>\$156,879,680</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
REVENUES				
Income taxes	\$51,507,371			
Property taxes	5,882,069			
Payments in lieu of taxes				
Licenses and permits	746,966	\$15,750		
Intergovernmental revenue	1,746,127	3,004,690	\$22,719	
Charges for services	124,368		3,527,704	\$4,510,917
Fines and forfeits	1,095,596			
Investment earnings	1,310,680			
Special assessments	414,601			
Refunds and reimbursements	1,944,202	232,542	115,151	18,935
Miscellaneous	63,874	10,202	48,900	510,388
Total revenues	<u>64,835,854</u>	<u>3,263,184</u>	<u>3,714,474</u>	<u>5,040,240</u>
EXPENDITURES				
Current:				
General government	15,412,959			
Police	15,050,562			
Fire	14,365,459			
Public works	2,954,520	6,642,363		
Leisure services			11,111,832	5,147,055
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>47,783,500</u>	<u>6,642,363</u>	<u>11,111,832</u>	<u>5,147,055</u>
Excess (deficiency) of revenues over expenditures	<u>17,052,354</u>	<u>(3,379,179)</u>	<u>(7,397,358)</u>	<u>(106,815)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		3,482,600	7,209,200	
Transfers out	(17,336,854)			
Refunding bonds issued				
Premium on bonds issued				
Payment to refunded bond escrow agent				
Sale of city assets	950,929	78,615	27,537	
Total Other Financing Sources (Uses)	<u>(16,385,925)</u>	<u>3,561,215</u>	<u>7,236,737</u>	<u>0</u>
Net change in fund balance	666,429	182,036	(160,621)	(106,815)
Fund balances--beginning	44,136,819	982,451	231,662	1,650,366
Fund balances--ending	<u>\$44,803,248</u>	<u>\$1,164,487</u>	<u>\$71,041</u>	<u>\$1,543,551</u>

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
					\$51,507,371
		\$816,126		\$309,921	7,008,116
			\$436,314		436,314
					762,716
\$512,626		117,237	2,913,872	608,417	8,925,688
	\$378,934	1,136,803		48,657	9,727,383
				427,008	1,522,604
7,919	7,381	47,467	738,259	44,418	2,156,124
			926,395		1,340,996
8,000		40,000	193,011	22,928	2,574,769
1,780				76,663	711,807
<u>530,325</u>	<u>386,315</u>	<u>2,157,633</u>	<u>5,207,851</u>	<u>1,538,012</u>	<u>86,673,888</u>
567,034		57,950		604,530	16,642,473
				1,981,667	17,032,229
	19,317			30,223	14,414,999
				141,810	9,738,693
		55,815		23,109	16,337,811
17,659			13,104,005	78,975	13,200,639
		1,684,645			1,684,645
		734,691			734,691
<u>584,693</u>	<u>19,317</u>	<u>2,533,101</u>	<u>13,104,005</u>	<u>2,860,314</u>	<u>89,786,180</u>
<u>(54,368)</u>	<u>366,998</u>	<u>(375,468)</u>	<u>(7,896,154)</u>	<u>(1,322,302)</u>	<u>(3,112,292)</u>
		389,400	4,744,824	1,540,767	17,366,791
	(29,937)				(17,366,791)
		6,825,000			6,825,000
		91,189			91,189
		(6,850,568)			(6,850,568)
1,000					1,058,081
<u>1,000</u>	<u>(29,937)</u>	<u>455,021</u>	<u>4,744,824</u>	<u>1,540,767</u>	<u>1,123,702</u>
<u>(53,368)</u>	<u>337,061</u>	<u>79,553</u>	<u>(3,151,330)</u>	<u>218,465</u>	<u>(1,988,590)</u>
<u>1,253,974</u>	<u>40,026</u>	<u>1,069,750</u>	<u>29,056,422</u>	<u>3,384,366</u>	<u>81,805,836</u>
<u>\$1,200,606</u>	<u>\$377,087</u>	<u>\$1,149,303</u>	<u>\$25,905,092</u>	<u>\$3,602,831</u>	<u>\$79,817,246</u>
					Net change in Fund Balance - Governmental Funds (\$1,988,590)
					Amounts reported for governmental activities in the Statement of Activities (page 13) are different because:
					Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. } Capital outlays 11,298,099 Depreciation expense (11,089,601)
					In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differ from the change in fund balance by the book value of the asset sold. (1,536,465)
					Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.
					Income taxes receivable 142,410
					Grants receivable 676,723
					Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. 1,619,020
					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 governmental funds.
					Vacation and sick leave benefits (202,430)
					Interest payable 140,706
					Pension and OPEB 20,886,251
					Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (See page 19) (683,358)
					<u>Change in Net Position on the Statement of Activities \$19,262,765</u>

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019**

	Governmental Activities- Internal Service Funds
ASSETS	
Current Assets:	
Pooled cash and investments	\$8,120,993
Accounts receivable	7,947
Prepaid expenses	19,522
Inventory	334,987
Total current assets	<u>8,483,449</u>
Noncurrent Assets:	
Capital assets:	
Buildings and improvements	839,699
Machinery and equipment	2,937,067
Less: Accumulated depreciation	<u>(2,749,208)</u>
Total noncurrent assets	<u>1,027,558</u>
Total assets	<u>9,511,007</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB	<u>1,528,158</u>
Total deferred outflows	<u>1,528,158</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	180,139
Accrued payroll	144,265
Accrued health claims	640,200
Total current liabilities	<u>964,604</u>
Noncurrent liabilities:	
Accrued vacation and sick benefits due within one year	250,453
Accrued vacation and sick benefits due within more than one year	174,044
Net pension and OPEB liability	<u>6,707,268</u>
Total noncurrent liabilities	<u>7,131,765</u>
Total liabilities	<u>8,096,369</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB	<u>302,590</u>
Total deferred inflows	<u>302,590</u>
NET POSITION	
Net investment in capital assets	1,027,558
Unrestricted	1,612,648
Total net position	<u>\$2,640,206</u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Governmental Activities- Internal <u>Service Funds</u>
OPERATING REVENUES	
Charges for services	<u>\$14,030,122</u>
Total operating revenues	<u>14,030,122</u>
OPERATING EXPENSES	
Personal services	4,392,369
Repairs and maintenance	1,364,192
Contractual services	8,378,946
Other materials and expenses	502,038
Depreciation	<u>295,492</u>
Total operating expenses	<u>14,933,037</u>
Operating income (loss)	<u>(902,915)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>219,557</u>
Change in net position	<u>(683,358)</u>
Total net position--beginning	<u>3,323,564</u>
Total net position--ending	<u><u>\$2,640,206</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$13,998,499
Cash paid to suppliers for goods or services	(9,599,111)
Cash paid to employees for services	(4,322,887)
Net cash provided (used) by operating activities	<u>76,501</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(414,557)
Sale of capital assets	22,097
Net cash used by capital and related financing activities	<u>(392,460)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	219,557
Net cash provided by investing activities	<u>219,557</u>
Net increase (decrease) in cash	(96,402)
Cash at beginning of year	8,217,395
Cash at end of year	<u><u>\$8,120,993</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(\$902,915)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	295,492
Increase (decrease) in net pension and OPEB liability	1,809,626
(Increase) decrease in deferred outflows - pension and OPEB	(640,053)
Increase (decrease) in deferred inflows - pension and OPEB	(529,749)
(Increase) decrease in receivables	(6,450)
(Increase) decrease in inventories	(6,721)
Increase (decrease) in accounts payable	(152,997)
Increase (decrease) in accrued health claims	163,263
Net (increase) decrease in other operating net position	47,005
Net cash provided (used) by operating activities	<u><u>\$76,501</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

	Deceased Police Dependents Private Purpose Trust	Custodial Funds
ASSETS		
Pooled cash and investments	\$99,242	\$38,754
Investments with fiscal agent, at fair value:		
Other investments		152,511
Total assets	<u>99,242</u>	<u>191,265</u>
LIABILITIES		
Accounts payable		45
Total liabilities	<u>0</u>	<u>45</u>
NET POSITION		
Restricted for:		
Scholarships	99,242	
Individuals, organizations, and other governments		191,220
Total net position	<u>\$99,242</u>	<u>\$191,220</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Deceased Police Dependents Private Purpose Trust	Custodial Funds
ADDITIONS		
Investment earnings	\$2,602	
Moneys held for others		\$11,881
Court receipts		1,608,521
Total additions	<u>2,602</u>	<u>1,620,402</u>
DEDUCTIONS		
Municipal court disbursements		1,578,724
Miscellaneous payments		2,786
Total deductions		<u>1,581,510</u>
Net increase (decrease)	2,602	38,892
Net position--beginning of year, as restated (Note 15)	96,640	152,328
Net position--end of year	<u>\$99,242</u>	<u>\$191,220</u>

See accompanying notes to the basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kettering, Ohio, (the “City”) is a home rule municipal corporation under the laws of the State of Ohio and operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1955 and has subsequently been amended.

The City provides various services including police and fire protection, parks, recreation, street maintenance, planning, zoning and other general government services. The City does not maintain any utility or other operations that would require the establishment of enterprise funds.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government, except for its fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. The City has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or a function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City’s funds, including fiduciary. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City. It should be used to account for and report all financial resources not accounted for and reported in another fund.

Street Maintenance Fund – This fund accounts for the portion of gasoline tax and motor vehicle license fees restricted, committed, or assigned for maintenance of streets.

Parks, Recreation & Cultural Arts Fund – This fund accounts for money restricted, committed, or assigned for the Parks, Recreation & Cultural Arts department programs and activities. Sources of revenue include

admissions, registrations, instructional fees, concessions, grants, and sponsorships as well as rentals of parks, recreation, and cultural arts facilities.

Fraze Pavilion Fund – This fund accounts for moneys restricted, committed, or assigned for the Fraze Pavilion amphitheater operations. Sources of revenue include admissions, concessions, sponsorships, and rental of Fraze Pavilion facilities.

Community Development Fund - This fund accounts for grants received from the Department of Housing and Urban Development (HUD). Grants are restricted for various purposes designated by HUD.

Emergency Medical Fund – This fund accounts for revenues received for emergency medical services. The revenues are committed or assigned for expenditure on fire equipment or structures.

Debt Service Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Additionally, the City reports the following fund types:

Internal Service Funds – The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost-reimbursement basis. These goods and services include computer services, vehicle maintenance, office supplies, postage, printing services, building maintenance and health insurance. The City has no unbilled service receivables at year end.

Private Purpose Trust Fund – This fund reports a trust arrangement under which principal and income are used for the education of dependents of deceased police officers.

Custodial Funds – These funds account for assets held by the City for the benefit of other governments, organizations, or individuals. They include moneys collected by the municipal court and other miscellaneous activities.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. For fiduciary activities other than defined benefit pension and other postemployment benefit plans, a liability to the beneficiaries of a fiduciary activity should be recognized in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on a modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. “Measurable” means the amount of the transaction can be determined and “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’s purposes, is considered to be 30 days after year end. Revenues considered susceptible to accrual are community development block grants, delinquent property taxes, income taxes, and interest on investments. Property taxes levied before year-end are not recognized as revenue until

the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due. Inventory and prepaid expenditures are recorded in the governmental fund types and charged as expenditures when used. A portion of the fund balance is classified as nonspendable in governmental funds for the amount of inventory and prepaid expenditures. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for purposes for which amounts in any unrestricted fund balance classification could be used it is the government's policy to use assigned resources first, committed resources second, and then unassigned amounts as they are needed.

D. Pooled Cash and Investments and Investment with Fiscal Agent

All investments are stated at fair value, which are based on quoted market prices.

E. Inventory

Inventory is valued at cost (specific identification method in the internal service funds and FIFO (first-in, first-out) method in the special revenue funds.) Inventories are recorded as expenses/expenditures when used.

F. Capital Assets

Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment, infrastructure and all other assets that are used in operations and that have initial useful lives expending beyond a single reporting period. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges and drainage systems.

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. The City capitalizes all assets with a cost of \$10,000 or greater (\$5,000 or greater for federal funded assets) and a useful life of at least two years. The City has capitalized all infrastructure acquired after January 1, 1980. Capital assets are recorded as expenditures of the current period in the government fund financial statements.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Machinery and Equipment	3-20 years
Buildings and Improvements	15-30 years
Infrastructure	20-40 years

G. Interfund Transactions and Transfers

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The accompanying financial statements generally reflect such transactions as transfers, with the exception of the internal service funds which are used to account for various supplies and services which are then charged back to the appropriate fund on an "as used" basis. The internal service funds record such charges as operating revenues; all other City funds record payments to the internal service funds as operating expenditures.

H. Fund Balance Classifications

Fund balance is reported as restricted when constraints placed on the use of resources are either: a. externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b. imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council enacts legislation requiring specific revenues to be used for a specific purpose. The City Council can modify or rescind that legislation at any time through additional legislation.

Fund balance is reported as assigned when a revenue source is not previously restricted or committed but the Finance Director determines, in the Director's professional opinion, that the assigning of the revenue is the desire or direction of City Council. This authority is given to the Finance Director through ordinance passed by City Council.

I. Grants and Other Intergovernmental Revenues

All reimbursement-type grants are recorded as intergovernmental receivables and revenues or deferred inflows of resources when the related expenditures are incurred.

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. For the City, deferred outflows of resources are reported on the government-wide statement of net position for OPEB and for pension. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statement of net 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. For the City, deferred inflows of resources include property taxes, grants and other taxes (which includes tax incremental financing 'TIF'), pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance year 2020 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Other taxes (TIFs) have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

L. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. POOLED CASH AND INVESTMENTS

The City maintains a cash and investments pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Fund Balance Sheets as "Pooled cash and investments."

Cash and cash equivalents in the internal service funds consist of cash and money market funds, which can be withdrawn without prior notice or penalty.

Deposits: At year-end, the City's bank balance was \$13,562,858. Of this amount, \$3,799,856 was insured; the remaining \$9,763,002 was collateralized through participation in the Ohio Pooled Collateral System (OPCS). Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

Investments: All investments are reported at fair value, which is based on quoted market prices. The City's investment policy authorizes investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated, when purchased, A-1 by Standard & Poors Corporation or P-1 by Moody's Commercial Paper Record, corporate bonds rated, when purchased, A or better by Standard & Poors Corporation or Moody's Bond Rating, bankers acceptances issued by banks ranked nationally as being in the top 50 in asset and deposit size, repurchase and reverse repurchase agreements, money market mutual funds whose portfolio consists of authorized investments, and the state treasurer's investment pool (STAR Ohio). The policy states that no more than 20% of the City's investment portfolio will be placed with any particular issuer, and unless matched to a specific cash flow requirement, the City will not invest in securities maturing more than five years from the date of purchase. It has been the City's practice to invest in securities maturing no more than three years from the date of purchase, and to hold all investments until maturity. The City has no investment policy for custodial credit risk.

The City's investments in corporate bonds, listed below, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. On December 31, the City did not hold any bonds representing 5% or more of the pooled cash and investment balance. At year-end, \$500,180 of the securities in the corporate bond category below are rated "BAA1", the remaining \$57,396,402 are rated "A" or better. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No.79, "Certain External Investment Pools and Pool Participants." The City measures its investment in Star Ohio at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. STAR Ohio carries a rating of AAAM. All other investment types listed are unrated.

As of December 31, 2019 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-3</u>	<u>3-6</u>	<u>6-7</u>
Corporate Bonds	\$57,896,582	\$41,800,377	\$16,096,205		
STAR Ohio	11,283,201	11,283,201			
Total	\$69,179,783	\$53,083,578	\$16,096,205	\$0	\$0

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

The City has the following recurring fair value measurements as of December 31, 2019:

- Corporate bonds of \$57,896,582 are valued using a matrix pricing model (Level 2 inputs)
- Pooled investment funds (STAR Ohio) of \$11,283,201 are measured at net asset value (NAV)

3. INCOME TAXES

The City levies a 2.25% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City, however; a credit is allowed for income taxes paid to other municipalities.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

4. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2014.

The property tax calendar is as follows:

Levy date	December 31, 2018
Lien date	December 31, 2018
Tax bill mailed	January 20, 2019
First installment payment due	February 15, 2019
Second installment payment due	July 15, 2019

The assessed values for the City at December 31, 2018 were as follows:

	Assessed Value
	Category
Real Estate	\$1,127,092,740
Public Utility Real Property	13,390
Public Utility Personal Property	26,499,720
Total	<u><u>\$1,153,605,850</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts including the City of Kettering. The County periodically remits to the City its portion of taxes collected. Property taxes may be paid on either an annual or semiannual basis.

5. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2045. Fund balance has been classified as restricted for the loans receivable at December 31,

2019. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures. The City made several loans from the General Fund for economic development purposes. Fund balance has been classified as nonspendable for the loans receivable at December 31, 2019.

6. INTERFUND TRANSFERS

All transfers for 2019 were out of the General Fund and into all other funds listed on the Statement of Revenues, Expenditures, and Changes in Fund Balances except for the \$29,937 transferred out of the Emergency Medical Fund. This amount was transferred into the Capital Projects fund to build new fire stations in accordance with the committed purpose for the funds, which is to be used for capital and operating fire expenditures.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$12,135,363		(\$1,304,003)	\$10,831,360
Right of Way	694,928	\$12,920		707,848
Subtotal	<u>12,830,291</u>	<u>12,920</u>	<u>(1,304,003)</u>	<u>11,539,208</u>
Capital assets being depreciated:				
Buildings and improvements	82,119,352	872,115	(698,764)	82,292,703
Machinery and equipment	22,567,473	1,759,299	(1,303,307)	23,023,465
Infrastructure	220,721,579	9,078,269	(4,735,257)	225,064,591
Subtotal	<u>325,408,404</u>	<u>11,709,683</u>	<u>(6,737,328)</u>	<u>330,380,759</u>
Accumulated depreciation:				
Buildings and improvements	(42,141,879)	(2,521,300)	525,593	(44,137,586)
Machinery and equipment	(14,230,254)	(1,778,066)	1,234,069	(14,774,251)
Infrastructure	(100,812,548)	(7,085,727)	4,735,257	(103,163,018)
Subtotal	<u>(157,184,681)</u>	<u>(11,385,093)*</u>	<u>6,494,919</u>	<u>(162,074,855)</u>
Net capital assets being depreciated	<u>168,223,723</u>	<u>324,590</u>	<u>(242,409)</u>	<u>168,305,904</u>
Net capital assets	<u>\$181,054,014</u>	<u>\$337,510</u>	<u>(\$1,546,412)</u>	<u>\$179,845,112</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$654,356
Police	330,652
Fire	1,253,573
Public works	7,098,520
Leisure services	1,752,500
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets.	<u>295,492</u>
Total depreciation expense	<u>\$11,385,093</u>

8. RISK MANAGEMENT

The City is a member of a public entity risk pool, Miami Valley Risk Management Association, Inc. (MVRMA) with twenty other local cities. This pool covers all property, crime, liability, boiler and machinery, and public official liability up to the limits stated below.

Insurance coverage is as follows:

Property – \$1,000,000,000 per occurrence
Crime - \$2,000,000 per occurrence
Liability - \$12,000,000 per occurrence
Boiler & Machinery - \$100,000,000 per occurrence
Public Official Liability - \$12,000,000 per occurrence

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,501 - \$350,000 for boiler and machinery, \$2,501 - \$500,000 for crime, \$2,501 - \$250,000 for property, and \$2,501 - \$500,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 2019, indicates reserves in excess of anticipated claims.

Workers' compensation is administered by the State of Ohio. The City pays a premium per employee to the State for this coverage.

There were no significant reductions in the above insurance coverages from the prior year in any category of risk. Insurance coverage for each of the past three years was sufficient to cover any claims settlements.

Employee health insurance is provided through a self-insured plan and is accounted for and financed through an internal service fund. The City has purchased commercial stop-loss insurance for individual claims over \$150,000 and annual aggregate claims in excess of 120% of the expected total claims for the year. The health insurance claim liability of \$640,200 recorded at year-end was calculated by the City's health care broker based on the City's claims experience over the past twelve months.

	Beginning of Year Liability	Current Year Claims & Changes in Estimate	Claim Payments	Balance at Year-End
2018	\$448,019	\$6,117,043	\$6,088,125	\$476,937
2019	476,937	7,639,078	7,475,815	640,200

9. DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

NET PENSION LIABILITY/NET (OPEB) LIABILITY

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

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

The remainder of this note includes the pension disclosures. See Note 10 for the OPEB disclosures.

PLAN DESCRIPTION – OHIO PUBLIC EMPLOYERS RETIREMENT SYSTEM (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<u>Group A</u> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<u>Group B</u> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<u>Group C</u> Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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

	State and Local	Public Safety	Law Enforcement
2019 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee (a)	10.0 %	(b)	(c)
2019 Actual Contribution Rates			
Employer:			
Pension (d)	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits (d)	0.0 %	0.0 %	0.0 %
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

- (a) Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- (b) This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- (c) This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2% greater than the Public Safety rate.
- (d) These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4% for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2019, the City's contractually required contribution was \$2,977,215. Of this amount \$173,404 is reported in accrued wages and benefits.

PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OP&F)

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

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	<u>Police</u>	<u>Firefighters</u>
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$3,552,214 for 2019. Of this amount \$161,768 is reported as accrued wages and benefits.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018 to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the:			
Net Pension Liability	\$38,804,648	\$58,210,006	\$97,014,654
Proportion of the Net Pension Liability:			
Current Measurement Date	0.14168500%	0.71312700%	
Prior Measurement Date	<u>0.15289300%</u>	<u>0.72455800%</u>	
Change in Proportionate Share	<u>-0.01120800%</u>	<u>-0.01143100%</u>	
Pension Expense	\$8,370,983	\$8,447,272	\$16,818,255

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$1,790	\$2,391,617	\$2,393,407
Changes in assumptions	3,378,040	1,543,226	4,921,266
Net difference between projected and actual earnings on pension plan investments	5,266,877	7,171,424	12,438,301
Changes in employer proportionate share of net pension liability	5,626	2,758,371	2,763,997
Contributions subsequent to the measurement date	2,977,215	3,552,214	6,529,429
Total Deferred Outflows of Resources	\$11,629,548	\$17,416,852	\$29,046,400
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$509,527	\$54,357	\$563,884
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in employer proportionate share of net pension liability	1,286,311	552,967	1,839,278
Total Deferred Inflows of Resources	\$1,795,838	\$607,324	\$2,403,162

\$6,529,429 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	\$2,824,662	\$4,144,165	\$6,968,827
2021	1,093,736	2,575,992	3,669,728
2022	488,610	2,775,508	3,264,118
2023	2,449,487	3,511,220	5,960,707
2024	0	250,429	250,429
Thereafter	0	0	0
Total	\$6,856,495	\$13,257,314	\$20,113,809

ACTUARIAL ASSUMPTIONS – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

OPERS Traditional Plan

Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (includes wage inflation at 3.25%)
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00% Simple
Post-January 7, 2013 Retirees	3.00% Simple through 2018, then 2.15% Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate The discount rate used to measure the total pension liability was 7.20% for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the net pension liability calculated using the discount rate of 7.20%, and the expected net pension liability if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$57,325,751	\$38,804,649	\$23,413,446

Changes since the prior Measurement Date and to the Report Date In October 2018 the OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

ACTUARIAL ASSUMPTIONS – OP&F

OP&F's total pension liability as of December 31, 2019 (December 31, 2018 measurement date), is based on the results of an actuarial valuation date of January 1, 2018, rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increase based on the lesser of the increase in CPI and 3.00%

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

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

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

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

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F's prior actuary and the assumptions were effective January 1, 2017.

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

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

Note: Assumptions are geometric

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 7.00%, or one percentage point higher, 9.00%, than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability:	\$76,513,042	\$58,210,007	\$42,915,177

Changes in Benefit Terms and Assumptions since prior Measurement Date and to Report Date There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation studies of the pension plan for the measurement date.

10. POSTEMPLOYMENT BENEFITS

See note 9 for a description of the net OPEB liability.

PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

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

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

Funding Policy The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.00% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2019.

PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OP&F)

Health Care Plan Description The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

Funding Policy The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

On January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$84,044 for 2019. Of this amount \$3,864 is included in accrued wages and benefits.

NET OPEB LIABILITY

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018 to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$18,913,573	\$6,494,115	\$25,407,688
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.145069%	0.713127%	
Prior Measurement Date	<u>0.155460%</u>	<u>0.724558%</u>	
Total	0.300529%	1.437685%	
Change in Proportionate Share	<u>-0.010391%</u>	<u>-0.011431%</u>	
OPEB Expense	\$1,375,610	(\$31,826,818)	(\$30,451,208)

At December 31, 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$6,405	\$0	\$6,405
Changes of assumptions	609,796	3,366,237	3,976,033
Net difference between projected and actual earnings on pension plan investments	867,076	219,832	1,086,908
Changes in employer proportionate share of net OPEB liability	37,480	1,332,419	1,369,899
Contributions subsequent to the measurement date	<u>0</u>	<u>84,044</u>	<u>84,044</u>
Total Deferred Outflows of Resources	<u>\$1,520,757</u>	<u>\$5,002,532</u>	<u>\$6,523,289</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$51,318	\$173,992	\$225,310
Changes of assumptions	0	1,797,878	1,797,878
Net difference between projected and actual earnings on OPEB plan investments	0	0	0
Changes in employer proportionate share of net OPEB liability	<u>756,726</u>	<u>508,144</u>	<u>1,264,870</u>
Total Deferred Inflows of Resources	<u>\$808,044</u>	<u>\$2,480,014</u>	<u>\$3,288,058</u>

\$84,044 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
December 31:			
2020	\$339,566	\$432,575	\$772,141
2021	(195,113)	432,575	237,462
2022	131,454	432,575	564,029
2023	436,806	499,065	935,871
2024	0	394,240	394,240
Thereafter	<u>0</u>	<u>247,444</u>	<u>247,444</u>
Total	<u>\$712,713</u>	<u>\$2,438,474</u>	<u>\$3,151,187</u>

ACTUARIAL ASSUMPTIONS – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary	3.25% to 10.75%
	(including wage inflation)
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age, Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and healthcare-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets within the OPERS Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The system's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34%	2.42%
Domestic Equities	21%	6.21%
Real Estate Investment Trust	6%	5.98%
International Equities	22%	7.83%
Other investments	17%	5.57%
Total	100%	5.16%

Discount Rate A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Proportionate share of the net OPEB liability	\$24,197,509	\$18,913,573	\$14,711,447

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Proportionate share of the net OPEB liability	\$18,180,047	\$18,913,573	\$19,758,398

Changes since prior Measurement Date and to Report Date In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%.

ACTUARIAL ASSUMPTIONS – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Stipend Increase Rate	The stipend is not assured to increase over the projection period

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

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

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

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

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

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

Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

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

Note: Assumptions are geometric
* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net

OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 3.66%, or one percentage point higher, 5.66%, than the current rate:

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
Proportionate share of the net OPEB liability	\$7,911,605	\$6,494,115	\$5,304,255

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The net OPEB liability for OP&F is sensitive to changes in the healthcare cost trend rate because it is based on a medical benefit that is a flat dollar amount.

Changes since prior Measurement Date and to Report Date Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

11. LEASES AND CONSTRUCTION COMMITMENTS

There are no operating leases, in which the City is a lessee, in excess of one year. Operating lease payments in 2019 were \$410,104.

Significant commitments and encumbrances at December 31, 2019 included:

Capital Projects Fund \$1,706,000

12. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds:					
Court Facility Refunding, 1% - 4%	\$1,490,000		\$235,000	\$1,255,000	\$240,000
Court Facility premium	46,962		7,827	39,135	
Recreation & Parks Improvements 3% - 5%	7,450,000		7,450,000	0	
Recreation & Parks premium	124,169		124,169	0	
Recreation & Parks Improvements Refunding, 2% - 3%		6,825,000		6,825,000	690,000
Recreation & Parks premium		91,189	9,119	82,070	
Fire Station Improvements, 1% - 4%	13,095,000		665,000	12,430,000	675,000
Fire Station premium	165,616		10,352	155,264	
Total general obligation bonds	<u>22,371,747</u>	<u>6,916,189</u>	<u>8,501,467</u>	<u>20,786,469</u>	<u>1,605,000</u>
Net Pension Liability:					
OPERS	23,985,948	14,818,700		38,804,648	
OP&F	44,469,396	13,740,610		58,210,006	
Total net pension liability	<u>68,455,344</u>	<u>28,559,310</u>		<u>97,014,654</u>	
Net OPEB Liability:					
OPERS	16,881,811	2,031,762		18,913,573	
OP&F	41,052,442		34,558,327	6,494,115	
Total net OPEB liability	<u>57,934,253</u>	<u>2,031,762</u>	<u>34,558,327</u>	<u>25,407,688</u>	
Other:					
Accrued vacation and sick leave benefits	5,105,699	2,987,941	2,762,006	5,331,634	3,145,664
Ohio Public Works Commission Long-Term Notes from Direct Borrowings, 0-3%	757,767		159,645	598,122	160,738
Total other	<u>5,863,466</u>	<u>2,987,941</u>	<u>2,921,651</u>	<u>5,929,756</u>	<u>3,306,402</u>
Total noncurrent liabilities	<u>\$154,624,810</u>	<u>\$40,495,202</u>	<u>\$45,981,445</u>	<u>\$149,138,567</u>	<u>\$4,911,402</u>

On December 17, 2019 the City issued \$6.8 million in General Obligation Bonds with an average interest rate of 2.4% to currently refund \$6.8 million of outstanding Recreation & Parks Improvements Bonds with an average interest rate of 4.1%. The current refunding reduced total debt service payments over the next nine years by \$697.7 thousand and provided an economic gain (difference between present values of the debt service payments on the old and new debt) of \$645.8 thousand. The general obligation bonds will be repaid from the debt service fund. The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 76% has been paid by the General Fund, 9% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

They City's outstanding notes from direct borrowings of \$598,122 contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate of 8% per annum until the date of payment, and outstanding amounts become immediately due. Also, the Lender may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City.

There is no repayment schedule for the net pension and OPEB liabilities; however, employer contributions are made from the fund benefiting from the related employees' services.

The annual requirements to pay principal and interest on noncurrent obligations at December 31, 2019, are as follows:

	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	1,605,000	564,937	160,738	4,780
2021	1,635,000	535,580	161,861	3,658
2022	1,675,000	498,260	163,013	2,505
2023	1,715,000	460,008	71,008	1,322
2024	1,760,000	420,824	20,647	364
2025-2029	7,320,000	1,342,394	20,855	157
2030-2034	4,800,000	475,500		
	<u>\$20,510,000</u>	<u>\$4,297,503</u>	<u>\$598,122</u>	<u>\$12,786</u>

The Ohio Revised Code (ORC) provides that the total net debt (as defined in the ORC) of a municipal corporation, whether or not 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 taxation value of property. At December 31, 2019 the City had a legal debt margin for total debt of \$101,491,448 and a legal debt margin for unvoted debt of \$50,718,226.

13. CONTINGENT LIABILITIES

The City is the defendant in various lawsuits and subject to various claims over which litigation has not commenced. Although the outcome of these matters is not presently determinable, in the opinion of the Law Director the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City participates in several federally assisted programs that are subject to program compliance audits by the grantors or their representatives. A single financial and compliance audit of the city has been completed with no findings for recovery. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies. Management believes such reimbursements, if any, would be immaterial.

14. NEGATIVE FUND NET POSITION

The Administrative Operations Internal Service Fund ended the year with a negative net position of \$3,464,455. This negative net position is a result of the implementation of GASB Statement Nos. 68 and 75. The requirements of GASB 68 and GASB 75 make it unlikely that this fund will ever have a positive fund balance.

15. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The implementation of GASB Statement No. 84 affected the accounting and reporting of fiduciary activities.

GASB Statement No. 88 improves the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 affected the City's debt schedule and noncurrent liabilities disclosure, as presented in Note 12.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

A net position restatement is required in order to implement GASB Statement No. 84. The custodial funds at January 1, 2019 have been restated as follows:

	<u>Custodial Funds</u>
Net position as previously reported	\$0
Adjustments:	
Presentation changes -- GASB 84	<u>152,328</u>
Restated Net Position January 1, 2019	<u><u>\$152,328</u></u>

Other than restating net position for custodial funds, the City made no restatement for prior periods as the information needed to generate these restatements was not available.

16. SUBSEQUENT EVENTS

In February of 2020 the City issued \$8,300,000 in general obligation bonds for the purpose of constructing, renovating, improving, equipping, and furnishing the police station headquarters.

The COVID-19 public health crisis occurred subsequent to the presentation of these financial statements. It is unknown at this time what effect this crisis will have on future periods.

REQUIRED SUPPLEMENTARY INFORMATION
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OHIO POLICE & FIRE PENSION FUND
 LAST SIX FISCAL YEARS ⁽¹⁾**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.713127%	0.724558%	0.686875%	0.649478%	0.634806%	0.634806%
City's proportionate share of the net pension liability	58,210,006	44,469,396	43,505,973	41,781,375	32,885,567	30,917,014
City's covered payroll	15,989,785	15,497,341	14,880,253	13,848,552	12,775,178	12,749,428
City's proportionate share of the net pension liability as a percentage of its covered payroll	364.04%	286.95%	292.37%	301.70%	257.42%	242.50%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%	72.20%	

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST SIX FISCAL YEARS ⁽¹⁾**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.141685%	0.152893%	0.152783%	0.154071%	0.155483%	0.155483%
City's proportionate share of the net pension liability	38,804,648	23,985,948	34,694,421	26,624,822	18,704,224	18,316,130
City's covered payroll	22,814,593	22,019,931	21,340,029	21,200,679	20,296,179	19,941,750
City's proportionate share of the net pension liability as a percentage of its covered payroll	170.09%	108.93%	162.58%	125.58%	92.16%	91.85%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	

(1) The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note - Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CITY CONTRIBUTIONS FOR NET PENSION LIABILITY****OHIO POLICE & FIRE PENSION FUND****LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$3,552,214	\$3,413,819	\$3,349,738	\$3,202,381	\$2,958,704	\$2,728,747	\$2,723,226	\$2,658,962	\$2,667,129	\$2,618,896
Contributions in relation to the contractually required contribution	<u>(3,552,214)</u>	<u>(3,413,819)</u>	<u>(3,349,738)</u>	<u>(3,202,381)</u>	<u>(2,958,704)</u>	<u>(2,728,747)</u>	<u>(2,723,226)</u>	<u>(2,658,962)</u>	<u>(2,667,129)</u>	<u>(2,618,896)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City's covered payroll	16,808,773	15,989,785	15,497,341	14,880,253	13,848,552	12,775,178	12,749,428	12,450,605	12,475,082	12,242,541
Contributions as a percentage of covered payroll	21.13%	21.35%	21.61%	21.52%	21.36%	21.36%	21.36%	21.36%	21.38%	21.39%

SCHEDULE OF CITY CONTRIBUTIONS FOR NET PENSION LIABILITY**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM****LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$2,977,215	\$3,194,043	\$2,862,591	\$2,987,604	\$2,968,095	\$2,841,465	\$2,791,845	\$2,736,865	\$2,761,028	\$2,758,135
Contributions in relation to the contractually required contribution	<u>(2,977,215)</u>	<u>(3,194,043)</u>	<u>(2,862,591)</u>	<u>(2,987,604)</u>	<u>(2,968,095)</u>	<u>(2,841,465)</u>	<u>(2,791,845)</u>	<u>(2,736,865)</u>	<u>(2,761,028)</u>	<u>(2,758,135)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City's covered payroll	21,265,821	22,814,593	22,019,931	21,340,029	21,200,679	20,296,179	19,941,750	19,504,609	19,721,630	19,700,961
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.03%	14.00%	14.00%

See accompanying notes to the required supplementary information.

52 **CITY OF KETTERING, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET POSTEMPLOYMENT BENEFITS
OTHER THAN PENSION (OPEB) LIABILITY
OHIO POLICE AND FIRE PENSION FUND
LAST THREE FISCAL YEARS ⁽¹⁾**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.71312700%	0.72455800%	0.68687500%
City's proportionate share of the net OPEB liability	6,494,115	41,052,442	32,604,412
City's covered payroll	15,989,785	15,497,341	14,880,253
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.61%	264.90%	219.11%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET POSTEMPLOYMENT BENEFITS
OTHER THAN PENSION (OPEB) LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS ⁽¹⁾**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.14506900%	0.15546000%	0.15440890%
City's proportionate share of the net OPEB liability	18,913,573	16,881,810	15,595,837
City's covered payroll	22,814,593	22,019,931	21,340,029
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.90%	76.67%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	

(1) The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note - Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

53 **CITY OF KETTERING, OHIO****REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY CONTRIBUTIONS TO POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
OHIO POLICE & FIRE PENSION FUND
LAST FOUR FISCAL YEARS ⁽¹⁾**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution to OPEB	\$84,044	\$80,841	\$77,520	\$75,242
Contributions to OPEB in relation to the contractually required contribution	<u>(84,044)</u>	<u>(80,841)</u>	<u>(77,520)</u>	<u>(75,242)</u>
Contribution deficiency (excess)	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
City covered payroll	16,808,773	15,989,785	15,497,341	14,880,253
Contributions to OPEB as a percentage of covered payroll	0.50%	0.51%	0.50%	0.51%

**SCHEDULE OF CITY CONTRIBUTIONS TO POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS ⁽¹⁾**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution to OPEB	\$0	\$0	\$251,825	\$426,630
Contributions to OPEB in relation to the contractually required contribution	<u>0</u>	<u>0</u>	<u>(251,825)</u>	<u>(426,630)</u>
Contribution deficiency (excess)	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
City covered payroll	21,265,821	22,814,593	22,019,931	21,340,029
Contributions to OPEB as a percentage of covered payroll	0.00%	0.00%	1.14%	2.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$44,136,819	\$44,136,819	\$44,136,819	
Resources (inflows)				
Income taxes	50,528,000	51,200,000	51,507,371	\$307,371
Property taxes	5,827,000	5,881,000	5,882,069	1,069
Licenses and permits	593,000	751,000	746,966	(4,034)
Intergovernmental revenue	2,037,000	2,276,000	1,746,127	(529,873)
Charges for services	127,000	115,000	124,368	9,368
Fines and forfeits	1,243,000	1,114,000	1,095,596	(18,404)
Investment earnings	982,000	1,100,000	1,310,680	210,680
Special assessments	400,000	415,000	414,601	(399)
Refunds and reimbursements	1,787,000	1,900,000	1,944,202	44,202
Miscellaneous	40,000	67,000	63,874	(3,126)
Sale of city assets	856,000	935,000	950,929	15,929
Amounts available for appropriation	108,556,819	109,890,819	109,923,602	32,783
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	144,300	144,300	143,951	349
Operating expenditures	82,886	82,886	77,164	5,722
Capital outlay				
Total mayor and council	227,186	227,186	221,115	6,071
Municipal court:				
Personal services	1,110,600	1,110,600	1,066,994	43,606
Operating expenditures	263,684	263,651	261,309	2,342
Capital outlay				
Total municipal court	1,374,284	1,374,251	1,328,303	45,948
Clerk of courts:				
Personal services	1,037,300	1,037,300	954,074	83,226
Operating expenditures	137,598	137,598	125,915	11,683
Capital outlay				
Total clerk of courts	1,174,898	1,174,898	1,079,989	94,909
Office of City Manager:				
Personal services	694,800	694,800	680,562	14,238
Operating expenditures	64,143	64,143	60,737	3,406
Capital outlay				
Total office of city manager	758,943	758,943	741,299	17,644
Law department:				
Personal services	903,300	903,300	856,718	46,582
Operating expenditures	186,893	186,893	127,734	59,159
Capital outlay				
Total law department	1,090,193	1,090,193	984,452	105,741
Finance department:				
Personal services	2,211,400	2,211,400	2,156,735	54,665
Operating expenditures	627,044	619,044	527,569	91,475
Capital outlay				
Total finance department	2,838,444	2,830,444	2,684,304	146,140
Administrative support:				
Personal services	751,500	751,500	729,861	21,639
Operating expenditures	290,220	286,252	197,455	88,797
Capital outlay				
Total administrative support	1,041,720	1,037,752	927,316	110,436

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$850,400	\$850,400	\$837,480	\$12,920
Operating expenditures	495,636	539,297	318,030	221,267
Capital outlay				
Total human resources department	<u>1,346,036</u>	<u>1,389,697</u>	<u>1,155,510</u>	<u>234,187</u>
Planning and development:				
Personal services	2,226,800	2,226,800	2,166,365	60,435
Operating expenditures	438,932	433,768	355,491	78,277
Capital outlay				
Total planning and development	<u>2,665,732</u>	<u>2,660,568</u>	<u>2,521,856</u>	<u>138,712</u>
Economic development:				
Personal services	155,400	155,400	153,995	1,405
Operating expenditures	2,193,108	3,522,613	2,796,314	726,299
Capital outlay				
Total economic development	<u>2,348,508</u>	<u>3,678,013</u>	<u>2,950,309</u>	<u>727,704</u>
Miscellaneous:				
Operating expenditures	1,087,226	1,080,952	818,506	262,446
Total miscellaneous	<u>1,087,226</u>	<u>1,080,952</u>	<u>818,506</u>	<u>262,446</u>
Total general government	<u>15,953,170</u>	<u>17,302,897</u>	<u>15,412,959</u>	<u>1,889,938</u>
Police:				
Personal services	13,204,500	13,204,500	12,933,390	271,110
Operating expenditures	2,194,594	2,202,245	1,943,603	258,642
Capital outlay	163,000	202,000	173,569	28,431
Total police	<u>15,562,094</u>	<u>15,608,745</u>	<u>15,050,562</u>	<u>558,183</u>
Fire:				
Personal services	12,674,900	12,653,900	12,338,491	315,409
Operating expenditures	2,224,747	2,265,922	1,726,482	539,440
Capital outlay	945,361	964,361	300,486	663,875
Total fire	<u>15,845,008</u>	<u>15,884,183</u>	<u>14,365,459</u>	<u>1,518,724</u>
Public works:				
Engineering department:				
Personal services	2,104,100	2,104,100	2,024,119	79,981
Operating expenditures	539,011	539,011	448,415	90,596
Capital outlay	33,595	33,595	33,595	0
Total engineering department	<u>2,676,706</u>	<u>2,676,706</u>	<u>2,506,129</u>	<u>170,577</u>
Street lighting:				
Operating expenditures	500,000	500,000	448,391	51,609
Total street lighting	<u>500,000</u>	<u>500,000</u>	<u>448,391</u>	<u>51,609</u>
Total public works	<u>3,176,706</u>	<u>3,176,706</u>	<u>2,954,520</u>	<u>222,186</u>
Transfers to other funds	21,764,000	21,224,271	17,336,854	3,887,417
Total charges to appropriations	<u>72,300,978</u>	<u>73,196,802</u>	<u>65,120,354</u>	<u>8,076,448</u>
Fund balance, December 31	<u>\$36,255,841</u>	<u>\$36,694,017</u>	<u>\$44,803,248</u>	<u>\$8,109,231</u>

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$982,451	\$982,451	\$982,451	
Resources (inflows)				
Licenses and permits	14,000	14,000	15,750	\$1,750
Intergovernmental revenue	2,570,000	2,968,000	3,004,690	36,690
Refunds and reimbursements	226,000	226,000	232,542	6,542
Miscellaneous	5,000	10,000	10,202	202
Sale of city assets	75,000	85,000	78,615	(6,385)
Transfer from the general fund	3,861,000	4,023,000	3,482,600	(540,400)
Amounts available for appropriation	<u>7,733,451</u>	<u>8,308,451</u>	<u>7,806,850</u>	<u>(501,601)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	4,280,800	4,460,800	4,283,206	177,594
Operating expenditures	2,544,546	2,661,144	1,875,577	785,567
Capital outlay	750,250	750,250	483,580	266,670
Total charges to appropriations	<u>7,575,596</u>	<u>7,872,194</u>	<u>6,642,363</u>	<u>1,229,831</u>
Fund balance, December 31	<u>\$157,855</u>	<u>\$436,257</u>	<u>\$1,164,487</u>	<u>\$728,230</u>

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -
 PARKS, RECREATION AND CULTURAL ARTS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$231,662	\$231,662	\$231,662	
Resources (inflows)				
Intergovernmental revenue	35,000	31,000	22,719	(\$8,281)
Charges for services	3,547,000	3,444,000	3,527,704	83,704
Refunds and reimbursements	44,000	38,000	115,151	77,151
Miscellaneous	56,000	51,000	48,900	(2,100)
Sale of city assets			27,537	27,537
Transfer from the general fund	7,891,000	7,897,100	7,209,200	(687,900)
Amounts available for appropriation	11,804,662	11,692,762	11,182,873	(509,889)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	6,890,700	6,654,700	6,338,445	316,255
Operating expenditures	4,443,759	4,476,015	4,370,542	105,473
Capital outlay	422,536	403,536	402,845	691
Total charges to appropriations	11,756,995	11,534,251	11,111,832	422,419
Fund balance, December 31	\$47,667	\$158,511	\$71,041	(\$87,470)

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,650,366	\$1,650,366	\$1,650,366	
Resources (inflows)				
Charges for services	5,130,000	4,480,000	4,510,917	\$30,917
Refunds and reimbursements		3,000	18,935	15,935
Miscellaneous	455,000	506,000	510,388	4,388
Amounts available for appropriation	<u>7,235,366</u>	<u>6,639,366</u>	<u>6,690,606</u>	<u>51,240</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	1,404,300	1,403,300	1,159,433	243,867
Operating expenditures	4,614,063	5,140,601	3,986,622	1,153,979
Capital Outlay		1,000	1,000	0
Total charges to appropriations	<u>6,018,363</u>	<u>6,544,901</u>	<u>5,147,055</u>	<u>1,397,846</u>
Fund balance, December 31	<u>\$1,217,003</u>	<u>\$94,465</u>	<u>\$1,543,551</u>	<u>\$1,449,086</u>

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -
 COMMUNITY DEVELOPMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,253,974	\$1,253,974	\$1,253,974	
Resources (inflows)				
Intergovernmental revenue	827,314	827,314	512,626	(\$314,688)
Investment earnings	1,000	1,000	7,919	6,919
Refunds and reimbursements			8,000	8,000
Miscellaneous	2,600	2,600	1,780	(820)
Sale of city assets	21,000	21,000	1,000	(20,000)
Transfer from the general fund				
Amounts available for appropriation	<u>2,105,888</u>	<u>2,105,888</u>	<u>1,785,299</u>	<u>(320,589)</u>
Charges to appropriations (outflows)				
General government	818,231	810,834	567,034	243,800
Capital improvements	<u>305,077</u>	<u>308,077</u>	<u>17,659</u>	<u>290,418</u>
Total charges to appropriations	<u>1,123,308</u>	<u>1,118,911</u>	<u>584,693</u>	<u>534,218</u>
Fund balance, December 31	<u>\$982,580</u>	<u>\$986,977</u>	<u>\$1,200,606</u>	<u>\$213,629</u>

See accompanying notes to the required supplementary information.

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REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$40,026	\$40,026	\$40,026	
Resources (inflows)				
Charges for services	375,000	362,000	378,934	\$16,934
Investment earnings	1,000	16,000	7,381	(8,619)
Refunds and reimbursements				0
Transfer from the general fund				
Amounts available for appropriation	<u>416,026</u>	<u>418,026</u>	<u>426,341</u>	<u>8,315</u>
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	24,000	24,000	19,317	4,683
Capital outlay				
Total fire	<u>24,000</u>	<u>24,000</u>	<u>19,317</u>	<u>4,683</u>
Capital Improvements				
Transfer to the capital projects fund	76,000	76,000	29,937	46,063
Total charges to appropriations	<u>100,000</u>	<u>100,000</u>	<u>49,254</u>	<u>50,746</u>
Fund balance, December 31	<u>\$316,026</u>	<u>\$318,026</u>	<u>\$377,087</u>	<u>\$59,061</u>

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. BUDGETS AND BUDGETARY ACCOUNTING

An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings are held, by July 15 of each year, and submitted to the County Budget Commission by July 20 of each year.

The County Budget Commission certifies its actions relative to the annual budget to the City by September 1. As part of this certification, the City receives an official certificate of estimated resources which states the projected receipts by fund. On or about January 1, this certificate is amended to include any unencumbered fund balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations ordinance.

A temporary appropriations 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 appropriations ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriations ordinance generally controls expenditures at the level of personal services, operating expenditures and capital outlay on a department level, except for the state highway fund, cemetery fund, police pension fund, DESC (Defense Electronics Supply Center) reuse fund, special safety grants and programs fund, community development fund, emergency medical fund and the capital projects fund which are controlled at the fund level. The City Manager has the authority to amend appropriations within the department at the levels of personal service, operating expenditures and capital outlay; amendments above this level require council approval. The ordinance may be amended or supplemented by Council during the year as required. Amendments to the appropriations ordinance made during the year were not material in relation to the original appropriations. Total expenditures in any fund do not exceed the estimated resources for that fund. Unencumbered appropriations lapse at year-end, while encumbered amounts are reappropriated in the following year's budget. The Finance Director in conjunction with the annual budgeting process estimates revenues. However, these estimates are not included or required in the budget ordinance.

The City, being a home rule municipal corporation, has adopted, through ordinance, GAAP (generally accepted accounting principles) as its budgetary basis.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned fund balance.

2. NET PENSION LIABILITY**OHIO POLICE AND FIRE PENSION FUND CHANGES IN BENEFIT TERMS AND ASSUMPTIONS***Changes in assumptions:*

2019: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

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

Changes in benefit terms:

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in assumptions:

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

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

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

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

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

Changes in benefit terms

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

3. NET OPEB LIABILITY

OHIO POLICE AND FIRE PENSION FUND CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in assumptions:

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%

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

Changes in benefit terms:

2019: See above regarding change to stipend-based model.

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

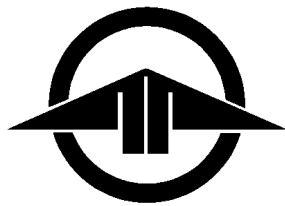
Changes in assumptions:

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

2018: The single discount rate changed from 4.23% to 3.85%.

Changes in benefit terms:

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



CITY OF KETTERING

**FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET DECEMBER 31, 2019

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$168,143	\$454,639	\$210,081	\$84,498	\$2,952,268	\$3,869,629
Receivables:						
Property taxes			309,000			309,000
Accounts				955	524	1,479
Due from other governments	108,165		22,671		24,240	155,076
Prepaid expenditures					366	366
Total assets	<u>\$276,308</u>	<u>\$454,639</u>	<u>\$541,752</u>	<u>\$85,453</u>	<u>\$2,977,398</u>	<u>\$4,335,550</u>
LIABILITIES						
Accounts payable	\$387			\$10,141	\$43,113	\$53,641
Due to the General fund					22,997	22,997
Accrued payroll			\$200,538		4,846	205,384
Unearned revenue					9,000	9,000
Total liabilities	<u>387</u>	<u>0</u>	<u>200,538</u>	<u>10,141</u>	<u>79,956</u>	<u>291,022</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes			309,000			309,000
Grants and other taxes	<u>87,500</u>		<u>22,200</u>		<u>22,997</u>	<u>132,697</u>
Total deferred inflows of resources	<u>87,500</u>		<u>331,200</u>		<u>22,997</u>	<u>441,697</u>
FUND BALANCES						
Nonspendable: Prepays					366	366
Restricted for:						
Public safety			10,014		353,338	363,352
Road construction / Public works	188,421					188,421
Leisure services					47,492	47,492
Municipal court activities					2,040,842	2,040,842
Committed to:						
Social services					7,539	7,539
Public safety					14,900	14,900
Leisure services		\$454,639			409,968	864,607
Other purposes				75,312		75,312
Total fund balances	<u>188,421</u>	<u>454,639</u>	<u>10,014</u>	<u>75,312</u>	<u>2,874,445</u>	<u>3,602,831</u>
Total liab, defer inflows & fund bals	<u>\$276,308</u>	<u>\$454,639</u>	<u>\$541,752</u>	<u>\$85,453</u>	<u>\$2,977,398</u>	<u>\$4,335,550</u>

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2019

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$207,000	\$210,104	\$3,104			
Charges for services				\$7,000	\$14,794	\$7,794
Fines and forfeits						
Investment earnings	1,000	5,376	4,376	5,000	11,955	6,955
Refunds and reimbursements	1,000	1,422	422			
Miscellaneous				3,000	2,300	(700)
Total revenues	<u>209,000</u>	<u>216,902</u>	<u>7,902</u>	<u>15,000</u>	<u>29,049</u>	<u>14,049</u>
EXPENDITURES						
Current:						
General government				20,000	17,070	2,930
Police						
Fire						
Public works	195,000	141,810	53,190			
Leisure services						
Capital improvements			0			
Total expenditures	<u>195,000</u>	<u>141,810</u>	<u>53,190</u>	<u>20,000</u>	<u>17,070</u>	<u>2,930</u>
Excess (deficiency) of revenues over expenditures	14,000	75,092	61,092	(5,000)	11,979	16,979
OTHER FINANCING SOURCES (USES)						
Transfers in	0	0	0			
Transfers out						
Sale of city assets						
Net change in fund balance	14,000	75,092	61,092	(5,000)	11,979	16,979
Fund balances--beginning	113,329	113,329		442,660	442,660	
Fund balances--ending	<u>\$127,329</u>	<u>\$188,421</u>	<u>\$61,092</u>	<u>\$437,660</u>	<u>\$454,639</u>	<u>\$16,979</u>

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$309,000	\$309,921	\$921			
Intergovernmental revenue	45,000	44,521	(479)			
Charges for services				\$34,000	\$33,863	(\$137)
Fines and forfeits						
Investment earnings						
Refunds and reimbursements			0	10,000	15,712	5,712
Miscellaneous						
Total revenues	<u>354,000</u>	<u>354,442</u>	<u>442</u>	<u>44,000</u>	<u>49,575</u>	<u>5,575</u>
EXPENDITURES						
Current:						
General government				251,099	156,929	94,170
Police	1,762,500	1,734,837	27,663			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,762,500</u>	<u>1,734,837</u>	<u>27,663</u>	<u>251,099</u>	<u>156,929</u>	<u>94,170</u>
Excess (deficiency) of revenues over expenditures	(1,408,500)	(1,380,395)	28,105	(207,099)	(107,354)	99,745
OTHER FINANCING SOURCES (USES)						
Transfers in	1,411,000	1,380,200	(30,800)	174,000	134,400	(39,600)
Transfers out						
Sale of city assets						
Net change in fund balance	<u>2,500</u>	<u>(195)</u>	<u>(2,695)</u>	<u>(33,099)</u>	<u>27,046</u>	<u>60,145</u>
Fund balances--beginning	10,209	10,209		48,266	48,266	
Fund balances--ending	<u>\$12,709</u>	<u>\$10,014</u>	<u>(\$2,695)</u>	<u>\$15,167</u>	<u>\$75,312</u>	<u>\$60,145</u>

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$309,000	\$309,921	\$921
Intergovernmental revenue	\$639,140	\$353,792	(\$285,348)	891,140	608,417	(282,723)
Charges for services				41,000	48,657	7,657
Fines and forfeits	424,000	427,008	3,008	424,000	427,008	3,008
Investment earnings	6,000	27,087	21,087	12,000	44,418	32,418
Refunds and reimbursements		5,794	5,794	11,000	22,928	11,928
Miscellaneous	114,750	74,363	(40,387)	117,750	76,663	(41,087)
Total revenues	<u>1,183,890</u>	<u>888,044</u>	<u>(295,846)</u>	<u>1,805,890</u>	<u>1,538,012</u>	<u>(267,878)</u>
EXPENDITURES						
Current:						
General government	1,041,518	430,531	610,987	1,312,617	604,530	708,087
Police	463,874	246,830	217,044	2,226,374	1,981,667	244,707
Fire	53,757	30,223	23,534	53,757	30,223	23,534
Public works				195,000	141,810	53,190
Leisure services	49,941	23,109	26,832	49,941	23,109	26,832
Capital improvements	87,010	78,975	8,035	87,010	78,975	8,035
Total expenditures	<u>1,696,100</u>	<u>809,668</u>	<u>886,432</u>	<u>3,924,699</u>	<u>2,860,314</u>	<u>1,064,385</u>
Excess (deficiency) of revenues over expenditures	(512,210)	78,376	590,586	(2,118,809)	(1,322,302)	796,507
OTHER FINANCING SOURCES (USES)						
Transfers in	26,671	26,167	(504)	1,611,671	1,540,767	(70,904)
Transfers out						
Sale of city assets						
Net change in fund balance	(485,539)	104,543	590,082	(507,138)	218,465	725,603
Fund balances--beginning	2,769,902	2,769,902		3,384,366	3,384,366	
Fund balances--ending	<u>\$2,284,363</u>	<u>\$2,874,445</u>	<u>\$590,082</u>	<u>\$2,877,228</u>	<u>\$3,602,831</u>	<u>\$725,603</u>

**DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$816,000	\$816,126	\$126
Intergovernmental revenue	117,000	117,237	237
Charges for services	1,088,000	1,136,803	48,803
Investment earnings	29,000	47,467	18,467
Refunds and reimbursements	40,000	40,000	
Total revenues	<u>2,090,000</u>	<u>2,157,633</u>	<u>67,633</u>
EXPENDITURES			
Current:			
General government	64,000	57,950	6,050
Leisure services	60,000	55,815	4,185
Debt service:			
Principal	1,684,646	1,684,645	1
Interest	734,692	734,691	1
Total expenditures	<u>2,543,338</u>	<u>2,533,101</u>	<u>10,237</u>
Deficiency of revenues over expenditures	(453,338)	(375,468)	77,870
OTHER FINANCING SOURCES (USES)			
Transfers in	395,000	389,400	(5,600)
Refunding bonds issued	6,825,000	6,825,000	
Premium on bonds issued	91,000	91,189	189
Payment to refunded bond escrow agent	<u>(6,852,000)</u>	<u>(6,850,568)</u>	<u>1,432</u>
Net change in fund balance	5,662	79,553	73,891
Fund balances--beginning	<u>1,069,750</u>	<u>1,069,750</u>	
Fund balances--ending	<u><u>\$1,075,412</u></u>	<u><u>\$1,149,303</u></u>	<u><u>\$73,891</u></u>

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes			
Payments in lieu of taxes	\$437,000	\$436,314	(\$686)
Intergovernmental revenue	3,148,000	2,913,872	(234,128)
Investment earnings	550,000	738,259	188,259
Special assessments	926,000	926,395	395
Refunds and reimbursements	458,000	193,011	(264,989)
Miscellaneous			
Total revenues	<u>5,519,000</u>	<u>5,207,851</u>	<u>(311,149)</u>
EXPENDITURES			
Capital improvements	<u>16,155,127</u>	<u>13,104,005</u>	<u>3,051,122</u>
Total expenditures	<u>16,155,127</u>	<u>13,104,005</u>	<u>3,051,122</u>
Deficiency of revenues over expenditures	(10,636,127)	(7,896,154)	2,739,973
OTHER FINANCING SOURCES (USES)			
Transfers in	7,373,500	4,744,824	(2,628,676)
Sale of City Assets			
Net change in fund balance	<u>(3,262,627)</u>	<u>(3,151,330)</u>	<u>111,297</u>
Fund balances--beginning	<u>29,056,422</u>	<u>29,056,422</u>	
Fund balances--ending	<u>\$25,793,795</u>	<u>\$25,905,092</u>	<u>\$111,297</u>

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$100,268	\$66,478	\$33,790
Street construction	10,420,444	9,141,698	1,278,746
Drainage	247,000	227,350	19,650
Parks and recreation	2,144,307	1,241,435	902,872
Tree planting and landscaping	283,743	211,811	71,932
Other	2,959,365	2,215,233	744,132
Total capital projects fund	<u>\$16,155,127</u>	<u>\$13,104,005</u>	<u>\$3,051,122</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF NET POSITION
 DECEMBER 31, 2019

	Administrative Operations	Health Insurance	Totals
ASSETS			
Current Assets:			
Pooled cash and investments	\$1,368,182	\$6,752,811	\$8,120,993
Accounts receivable	3,883	4,064	7,947
Prepaid expenses	19,522		19,522
Inventory	334,987		334,987
Total current assets	<u>1,726,574</u>	<u>6,756,875</u>	<u>8,483,449</u>
Noncurrent Assets:			
Capital assets:			
Buildings and improvements	839,699		839,699
Machinery and equipment	2,937,067		2,937,067
Less: Accumulated depreciation	<u>(2,749,208)</u>		<u>(2,749,208)</u>
Total noncurrent assets	<u>1,027,558</u>		<u>1,027,558</u>
Total assets	<u>2,754,132</u>	<u>6,756,875</u>	<u>9,511,007</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,528,158		1,528,158
Total deferred outflows	<u>1,528,158</u>		<u>1,528,158</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	168,125	12,014	180,139
Accrued payroll	144,265		144,265
Accrued health claims		640,200	640,200
Total current liabilities	<u>312,390</u>	<u>652,214</u>	<u>964,604</u>
Noncurrent liabilities:			
Accrued vacation and sick benefits due within 1 year	250,453		250,453
Accrued vacation and sick benefits due in more than 1 year	174,044		174,044
Net pension liability	6,707,268		6,707,268
Total noncurrent liabilities	<u>7,131,765</u>		<u>7,131,765</u>
Total liabilities	<u>7,444,155</u>	<u>652,214</u>	<u>8,096,369</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	302,590		302,590
Total deferred inflows	<u>302,590</u>		<u>302,590</u>
NET POSITION			
Net investment in capital assets	1,027,558		1,027,558
Unrestricted	<u>(4,492,013)</u>	<u>6,104,661</u>	<u>1,612,648</u>
Total net position	<u>(\$3,464,455)</u>	<u>\$6,104,661</u>	<u>\$2,640,206</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$6,972,420	\$7,057,702	\$14,030,122
Total operating revenues	<u>6,972,420</u>	<u>7,057,702</u>	<u>14,030,122</u>
OPERATING EXPENSES			
Personal services	4,392,369		4,392,369
Repairs and maintenance	1,364,192		1,364,192
Contractual services	739,868	7,639,078	8,378,946
Other materials and expenses	502,038		502,038
Depreciation	295,492		295,492
Total operating expenses	<u>7,293,959</u>	<u>7,639,078</u>	<u>14,933,037</u>
Operating income (loss)	<u>(321,539)</u>	<u>(581,376)</u>	<u>(902,915)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	37,939	181,618	219,557
Change in net position	(283,600)	(399,758)	(683,358)
Total net position--beginning	<u>(3,180,855)</u>	<u>6,504,419</u>	<u>3,323,564</u>
Total net position--ending	<u><u>(\$3,464,455)</u></u>	<u><u>\$6,104,661</u></u>	<u><u>\$2,640,206</u></u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$6,944,861	\$7,053,638	\$13,998,499
Cash paid to suppliers for goods or services	(2,122,376)	(7,476,735)	(9,599,111)
Cash paid to employees for services	(4,322,887)		(4,322,887)
Net cash provided (used) by operating activities	<u>499,598</u>	<u>(423,097)</u>	<u>76,501</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(414,557)		(414,557)
Sale of capital assets	22,097		22,097
Net cash used by capital and related financing activities	<u>(392,460)</u>		<u>(392,460)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	37,939	181,618	219,557
Net cash provided by investing activities	<u>37,939</u>	<u>181,618</u>	<u>219,557</u>
Net increase (decrease) in cash	145,077	(241,479)	(96,402)
Cash at beginning of year	1,223,105	6,994,290	8,217,395
Cash at end of year	<u>\$1,368,182</u>	<u>\$6,752,811</u>	<u>\$8,120,993</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$321,539)	(\$581,376)	(\$902,915)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	295,492		295,492
Increase (decrease) in net pension and OPEB liability	1,809,626		1,809,626
(Increase) decrease in deferred outflows - pension and OPEB	(640,053)		(640,053)
Increase (decrease) in deferred inflows - pension and OPEB	(529,749)		(529,749)
(Increase) decrease in receivables	(2,386)	(4,064)	(6,450)
(Increase) decrease in inventories	(6,721)		(6,721)
Increase (decrease) in accounts payable	(152,077)	(920)	(152,997)
Increase (decrease) in accrued health claims		163,263	163,263
Net (increase) decrease in other operating net position	47,005		47,005
Net cash provided (used) by operating activities	<u>\$499,598</u>	<u>(\$423,097)</u>	<u>\$76,501</u>

CUSTODIAL FUNDS**COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2019**

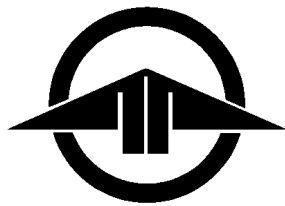
	Municipal Court	Miscellaneous	Totals
ASSETS			
Pooled cash and investments		\$38,754	\$38,754
Investments with fiscal agent, at fair value:			
Other investments	\$152,511		152,511
Total assets	<u>152,511</u>	<u>38,754</u>	<u>191,265</u>
LIABILITIES			
Accounts payable		45	45
Total liabilities	<u>0</u>	<u>45</u>	<u>45</u>
NET POSITION			
Restricted for:			
Individuals, organizations, and other governments	152,511	38,709	191,220
Total net position	<u>\$152,511</u>	<u>\$38,709</u>	<u>\$191,220</u>

**COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Municipal Court	Miscellaneous	Totals
ADDITIONS			
Municipal court collections	\$1,608,521		\$1,608,521
Miscellaneous		\$11,881	11,881
Total additions	<u>1,608,521</u>	<u>11,881</u>	<u>1,620,402</u>
DEDUCTIONS			
Municipal court disbursements	1,578,724		1,578,724
Miscellaneous payments		2,786	2,786
Total deductions	<u>1,578,724</u>	<u>2,786</u>	<u>1,581,510</u>
Net change in fund balance	29,797	9,095	38,892
Fund balances--beginning, as restated (Note 15)	122,714	29,614	152,328
Fund balances--ending	<u>\$152,511</u>	<u>\$38,709</u>	<u>\$191,220</u>

DEBT SCHEDULE
DECEMBER 31, 2019

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2020	
						Principal	Interest
General Obligation Bonds:							
Court facility refunding	2/4/2015	1.0-4.0	12/1/2024	\$2,215,000	\$1,255,000	\$240,000	\$30,400
Court facility refunding premium					39,135		
Recreation & parks refunding	12/17/2019	2.12-2.66	12/1/2028	6,825,000	6,825,000	690,000	156,887
Rec & parks refunding premium					82,070		
Fire station improvement	2/4/2015	1.0-4.0	12/1/2034	15,500,000	12,430,000	675,000	377,650
Fire station improvement premium					155,264		
Total general obligation bonds					<u>20,786,469</u>	<u>1,605,000</u>	<u>564,937</u>
Notes from Direct Borrowings:							
Ohio public works commission:							
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	228,108	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	127,887	30,558	3,609
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	120,067	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	122,060	19,839	1,171
Total notes from Direct Borrowings					<u>598,122</u>	<u>160,738</u>	<u>4,780</u>
Total					<u>\$21,384,591</u>	<u>\$1,765,738</u>	<u>\$569,717</u>



CITY OF KETTERING

STATISTICAL SECTION

This part of the City of Kettering's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Category</u>	<u>Schedule #s</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1, 2, 3 & 4
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax.	5 & 6
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	7 & 8
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	9 & 10
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	11, 12 & 13

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

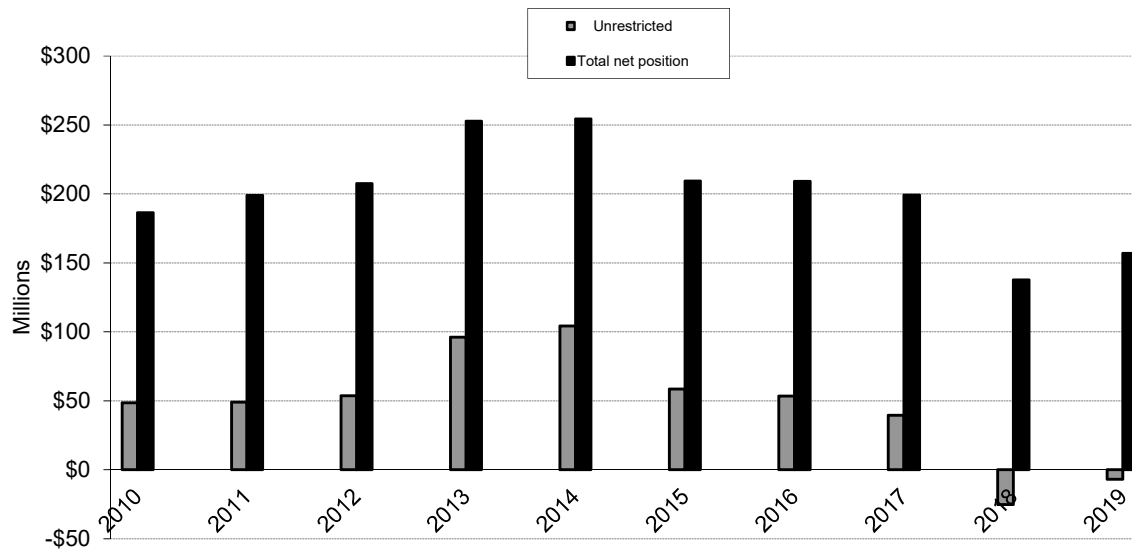
NET POSITION BY CATEGORY

LAST TEN YEARS (accrual basis of accounting)

	Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$124,238,000	\$134,783,717	\$138,528,286	\$141,039,021	\$145,363,355	\$145,786,739	\$150,978,928	\$154,876,124	\$157,924,500	\$158,460,521
Restricted for:										
Debt service	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750	1,149,303
Social services	1,913,673	1,858,591	1,412,417	1,654,973	1,364,088	1,394,703	1,219,193	1,303,652	1,286,271	1,283,651
Public safety	9,189,154	10,725,180	11,231,818	11,346,847	770,562	516,345	432,816	316,753	380,171	396,502
Leisure services	86,165	16,073	35,726	46,416	32,138	54,890	52,356	57,939	49,820	47,492
Municipal court activities	1,399,197	1,537,730	1,632,059	1,624,709	1,638,022	1,681,096	1,744,044	1,872,578	1,902,002	2,040,842
Other purposes	204,394	158,709	98,742	149,788	152,478	209,169	96,706	139,230	186,229	275,921
Unrestricted	48,507,291	48,971,606	53,724,515	96,058,893	104,189,524	58,559,952	53,535,178	39,557,527	(25,181,828)	(6,774,552)
Total net position	<u>\$186,335,559</u>	<u>\$198,924,517</u>	<u>\$207,530,942</u>	<u>\$252,755,268</u>	<u>\$254,412,007</u>	<u>\$209,319,190</u>	<u>\$209,143,596</u>	<u>\$199,148,479</u>	<u>\$137,616,915</u>	<u>\$156,879,680</u>

Note: Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when (1) and external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the city.

Net Position (accrual basis)



CITY OF KETTERING, OHIO

SCHEDULE 2

CHANGES IN NET POSITION
LAST TEN YEARS (accrual basis of accounting)

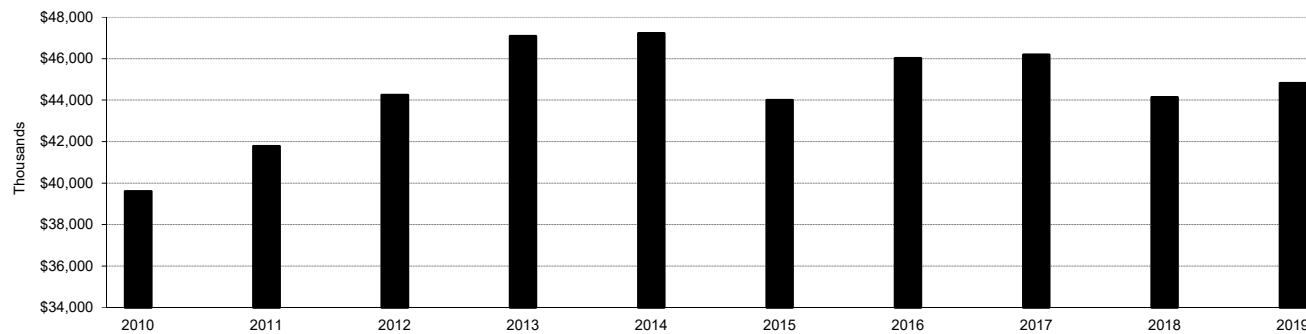
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
General government	\$12,813,463	\$13,824,699	\$14,533,955	\$14,294,069	\$15,387,775	\$15,594,623	\$15,634,860	\$17,835,211	\$19,692,377	\$21,602,096
Police	14,161,364	14,346,393	14,631,811	14,806,948	15,015,613	15,855,597	17,158,438	15,327,428	19,660,703	4,716,597
Fire	10,504,095	10,533,420	10,903,086	11,303,884	11,574,483	12,238,987	14,562,573	19,797,057	18,131,408	1,891,292
Public works	13,425,510	13,388,960	14,186,561	13,726,430	14,548,773	14,824,412	14,974,876	17,497,488	16,800,509	18,628,436
Leisure services	13,038,928	13,840,098	14,030,681	14,949,267	15,285,794	15,228,586	17,396,893	19,179,484	18,619,650	20,869,470
Interest on long term debt	671,334	635,755	585,092	547,172	526,129	928,772	840,510	799,738	745,258	593,985
Total expenses	64,614,694	66,569,325	68,871,186	69,627,770	72,338,567	74,670,977	80,568,150	90,436,406	93,649,905	68,301,876
Program Revenues										
Charges for services:										
General government	2,475,623	2,428,295	2,530,640	2,377,070	2,321,931	2,676,780	2,600,210	2,585,743	2,607,383	2,419,396
Fire	1,407,084	1,638,795	1,529,866	1,444,912	1,511,654	1,604,628	1,618,549	1,188,940	1,402,403	1,556,348
Leisure services	6,142,517	6,650,937	6,999,653	7,222,684	7,643,607	7,523,924	8,187,761	6,928,426	7,494,332	8,038,621
Other activities	42,761	40,415	48,366	57,993	47,542	38,660	37,977	47,917	49,219	38,950
Operating grants and contributions	1,594,869	725,501	1,431,456	1,790,624	1,434,454	2,188,592	1,712,929	1,516,856	1,556,208	1,446,630
Capital grants and contributions:										
Public works	4,944,692	9,465,720	4,812,912	5,000,557	2,922,365	1,290,531	3,950,236	4,052,442	1,871,684	4,050,782
Other activities	1,286,315	584,159	771,398	271,331	72,935	26,296	20,815	0	0	0
Total program revenues	17,893,861	21,533,822	18,124,291	18,165,171	15,954,488	15,349,411	18,128,477	16,320,324	14,981,229	17,550,727
Net (Expense)/Revenue ¹										
General government	(7,945,813)	(10,483,009)	(10,504,831)	(10,730,626)	(12,330,676)	(11,520,415)	(11,958,063)	(14,396,714)	(16,138,968)	(18,392,872)
Police	(14,120,321)	(14,293,832)	(14,558,780)	(14,768,131)	(14,957,063)	(15,802,411)	(17,124,082)	(15,254,234)	(19,623,316)	(4,648,370)
Fire	(9,096,708)	(8,894,525)	(9,373,220)	(9,858,972)	(10,060,676)	(10,600,358)	(12,941,202)	(18,604,992)	(16,713,639)	(294,184)
Public works	(8,464,176)	(3,917,494)	(9,360,343)	(8,703,648)	(11,616,128)	(13,511,013)	(11,009,852)	(13,427,286)	(14,907,715)	(14,561,904)
Leisure services	(6,422,481)	(6,810,888)	(6,364,629)	(6,854,050)	(6,893,407)	(6,958,597)	(8,565,964)	(11,633,118)	(10,539,780)	(12,259,834)
Interest on long term debt	(671,334)	(635,755)	(585,092)	(547,172)	(526,129)	(928,772)	(840,510)	(799,738)	(745,258)	(593,985)
Total net expense	(46,720,833)	(45,035,503)	(50,746,895)	(51,462,599)	(56,384,079)	(59,321,566)	(62,439,673)	(74,116,082)	(78,668,676)	(50,751,149)
General Revenues										
Taxes										
Income taxes	37,352,248	36,303,996	42,345,005	39,240,269	42,905,808	44,596,261	47,782,561	48,736,262	47,490,344	51,649,781
Property taxes, levied for general purposes	8,117,860	7,920,953	7,278,599	7,161,176	5,821,692	5,585,311	5,672,208	5,645,036	6,134,096	6,191,991
Property taxes, levied for debt service	1,276,080	975,771	897,462	883,105	763,381	735,848	747,707	744,124	808,535	816,126
Other taxes	7,630,175	10,292,717	6,253,383	47,022,663	4,782,894	3,897,584	3,771,345	3,713,967	3,745,264	4,644,136
Investment earnings	1,173,152	629,983	791,959	305,672	563,252	651,249	1,038,317	1,022,835	1,539,998	2,156,124
Refunds & reimbursements	1,516,425	1,271,393	1,801,694	1,938,118	1,936,888	1,798,358	1,736,932	2,321,113	2,108,651	2,144,554
Miscellaneous	179,150	229,648	186,924	135,922	1,266,903	1,576,009	1,515,009	1,937,628	3,181,128	2,411,202
Total general revenues	57,245,090	57,624,461	59,555,026	96,686,925	58,040,818	58,840,620	62,264,079	64,120,965	65,008,016	70,013,914
Change in Net Position	\$10,524,257	\$12,588,958	\$8,808,131	\$45,224,326	\$1,656,739	(\$480,946)	(\$175,594)	(\$9,995,117)	(\$13,660,660)	\$19,262,765

(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses.

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN YEARS (modified accrual basis of accounting)

	Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved										
Unreserved										
Nonspendable	\$24,580	\$23,113	\$16,988	\$18,449	\$256,066	\$1,458,395	\$3,018,822	\$6,685,095	\$5,827,996	\$6,795,622
Committed	642,664	621,688	1,517,592	2,178,599	2,570,595	5,758,268	4,676,778	1,997,648	2,285,698	1,788,495
Assigned	104,717					5,752,730	5,056,600	5,689,530	6,492,300	2,644,380
Unassigned	38,823,402	41,119,258	42,706,182	44,877,690	44,395,102	31,021,920	33,259,603	31,806,730	29,530,825	33,574,751
Total general fund	<u>\$39,595,363</u>	<u>\$41,764,059</u>	<u>\$44,240,762</u>	<u>\$47,074,738</u>	<u>\$47,221,763</u>	<u>\$43,991,313</u>	<u>\$46,011,803</u>	<u>\$46,179,003</u>	<u>\$44,136,819</u>	<u>\$44,803,248</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue funds										
Debt service fund										
Capital project fund										
Nonspendable, reported in:										
Special revenue funds	\$145,322	\$149,325	\$147,470	\$205,180	\$493,470	\$260,042	\$304,729	\$239,859	\$197,556	\$328,091
Restricted, reported in:										
Special revenue funds	12,249,153	13,930,248	14,101,831	14,275,357	3,693,414	3,657,802	3,271,410	3,421,958	3,699,296	3,840,713
Debt service fund	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750	1,149,303
Capital project fund	6,834,838					5,519,305	59,300			
Committed, reported in:										
Special revenue funds	2,266,782	2,645,510	3,169,632	3,660,390	4,547,399	4,970,215	4,829,640	3,200,811	3,645,993	3,790,799
Capital project fund	5,956,668	4,161,787	2,022,492	41,243,102	46,848,146	47,224,420	41,227,972	35,927,245	29,056,422	25,905,092
Unassigned, reported in:										
Special revenue funds	(379,052)	(501,760)		(242,312)	(111,184)					
Total all other governmental funds	<u>\$27,871,396</u>	<u>\$21,258,021</u>	<u>\$20,308,804</u>	<u>\$59,976,338</u>	<u>\$56,373,085</u>	<u>\$62,748,080</u>	<u>\$50,777,426</u>	<u>\$43,814,549</u>	<u>\$37,669,017</u>	<u>\$35,013,998</u>

General Fund Balance

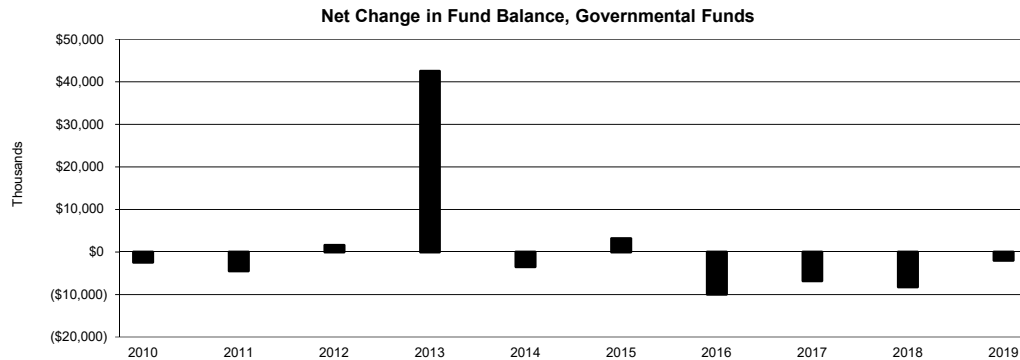


CITY OF KETTERING, OHIO

SCHEDULE 4

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN YEARS (modified accrual basis of accounting)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Income taxes	\$36,417,018	\$37,392,845	\$39,891,659	\$39,386,072	\$41,624,574	\$44,120,027	\$46,876,012	\$48,734,275	\$47,663,176	\$51,507,371
Property taxes	9,391,640	8,970,024	8,131,160	8,043,981	7,649,073	6,321,159	6,419,914	6,389,161	6,942,631	7,008,116
Licenses and permits	491,322	459,696	525,190	538,267	524,535	716,026	639,347	605,589	751,369	762,716
Intergovernmental revenue	14,648,675	20,011,549	11,090,451	50,075,115	7,781,607	6,783,492	8,701,687	8,372,958	6,643,809	8,925,688
Charges for services	7,730,157	8,352,103	8,794,951	8,937,684	9,349,002	9,370,812	9,978,265	8,638,316	9,223,695	9,727,383
Fines and forfeits	1,835,344	1,828,209	1,837,695	1,640,474	1,586,868	1,732,868	1,719,753	1,771,799	1,662,274	1,522,604
Investment earnings	1,173,151	629,984	791,959	305,673	563,252	651,249	1,038,318	1,022,836	1,539,999	2,156,124
Special assessments	1,019,237	924,751	965,122	961,250	934,463	1,015,407	1,080,565	1,220,260	1,141,200	1,340,996
Refunds and reimbursements	2,931,420	2,181,056	2,227,342	2,884,888	2,674,641	2,497,078	2,386,191	2,997,010	2,853,118	2,574,769
Miscellaneous	560,693	523,814	754,921	737,739	812,423	1,146,765	1,056,410	1,123,573	1,049,927	1,148,121
Total revenues	76,198,657	81,274,031	75,010,450	113,511,143	73,500,438	74,354,883	79,896,462	80,875,777	79,471,198	86,673,888
EXPENDITURES										
Current:										
General government	12,476,529	12,050,675	12,553,463	12,815,451	13,863,291	14,845,101	14,057,455	14,866,775	16,807,608	16,642,473
Police	13,976,571	14,398,245	14,822,534	14,957,275	15,117,925	16,152,056	16,408,363	16,400,519	16,696,824	17,032,229
Fire	11,028,998	10,357,123	10,794,655	10,935,461	12,648,860	12,324,248	12,709,452	14,301,238	14,656,578	14,414,999
Public works	8,391,628	8,631,543	8,395,339	8,314,119	9,072,077	9,664,515	9,365,153	9,559,765	9,610,546	9,738,693
Leisure services	12,173,718	12,450,737	12,551,728	13,361,686	13,727,217	13,727,146	15,247,453	14,576,209	14,995,154	16,337,811
Capital improvements	18,983,100	25,101,663	13,270,898	9,546,221	11,342,544	18,193,929	20,114,999	16,332,880	14,276,797	13,200,639
Debt service:										
Principal	1,021,134	1,062,000	1,092,888	848,799	869,735	1,440,945	1,547,660	1,587,541	1,633,580	1,684,645
Interest	672,521	637,150	599,394	559,885	539,555	824,584	874,380	834,945	779,606	734,691
Total expenditures	78,724,199	84,689,136	74,080,899	71,338,897	77,181,204	87,172,524	90,324,915	88,459,872	89,456,693	89,786,180
Excess (deficiency) of revenues over expenditures	(2,525,542)	(3,415,105)	929,551	42,172,246	(3,680,766)	(12,817,641)	(10,428,453)	(7,584,095)	(9,985,495)	(3,112,292)
OTHER FINANCING SOURCES (USES)										
Transfers in	15,221,132	10,508,166	11,903,130	10,434,938	24,189,786	17,163,833	14,561,565	17,159,382	17,136,977	17,366,791
Transfers out	(15,221,132)	(11,658,166)	(11,903,130)	(10,434,938)	(24,189,786)	(17,163,833)	(14,561,565)	(17,159,382)	(17,136,977)	(17,366,791)
General obligation debt issuance						15,734,713				65,621
Sale of city assets	126,073	120,426	597,935	329,264	224,538	227,473	478,289	788,418	1,797,781	1,058,081
Net change in fund balance	<u>(\$2,399,469)</u>	<u>(\$4,444,679)</u>	<u>\$1,527,486</u>	<u>\$42,501,510</u>	<u>(\$3,456,228)</u>	<u>\$3,144,545</u>	<u>(\$9,950,164)</u>	<u>(\$6,795,677)</u>	<u>(\$8,187,714)</u>	<u>(\$1,988,590)</u>
Debt service as a percentage of noncapital expenditures	2.85%	2.79%	2.72%	2.25%	2.18%	3.31%	3.42%	3.23%	3.13%	3.08%

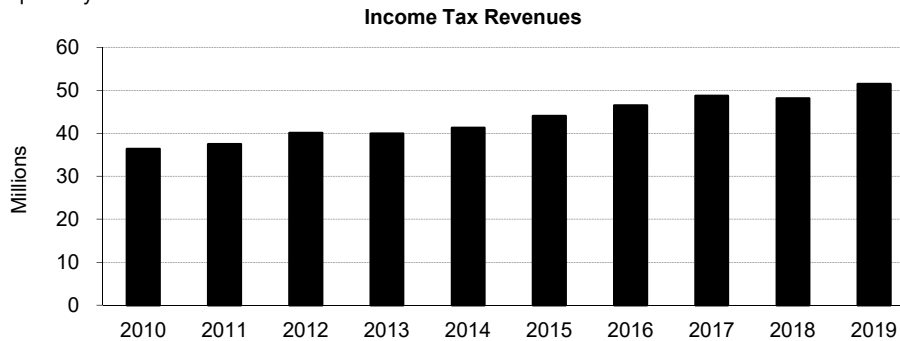


INCOME TAX BY PAYER TYPE AND INCOME TAX RATE
LAST TEN YEARS (cash basis of accounting)

Year	Individual		Total Individual	Corporate	Partnership	Total	Income Tax Rate
	Withholding	Non-withholding					
2010	28,673,437	3,871,009	32,544,446	2,712,061	1,122,567	36,379,074	2.25%
2011	29,645,857	4,084,942	33,730,799	2,704,278	1,013,804	37,448,881	2.25%
2012	30,426,208	4,607,103	35,033,311	3,489,120	1,522,725	40,045,156	2.25%
2013	30,215,329	4,921,938	35,137,267	3,192,769	1,570,281	39,900,317	2.25%
2014	31,236,752	4,837,510	36,074,262	3,546,291	1,621,034	41,241,587	2.25%
2015	32,904,326	5,324,890	38,229,216	4,202,997	1,558,207	43,990,420	2.25%
2016	34,344,622	5,749,565	40,094,187	4,747,831	1,676,035	46,518,053	2.25%
2017	36,317,008	5,029,203	41,346,211	5,520,450	1,823,618	48,690,279	2.25%
2018	37,228,787	4,238,420	41,467,207	5,181,087	1,501,594	48,149,888	2.25%
2019	38,530,755	5,157,019	43,687,774	5,771,652	2,034,677	51,494,103	2.25%

Source: City of Kettering, Ohio, Finance Department

The City levies a 2.25% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City, however; a credit is allowed for income taxes paid to other municipalities. Employers within the City withhold income tax on employee compensation and remit at least quarterly.



PERCENTAGES OF INCOME TAX BY PAYER TYPE FOR TOP TEN PAYERS
CURRENT YEAR AND TEN YEARS AGO (cash basis of accounting)

	2019					
	Individual		Total Individual	Corporate	Partnership	Total
	Withholding	Non-withholding				
Top Ten	17,873,502	309,709	18,183,211	4,312,503	1,444,634	23,940,348
All Others	20,657,253	4,847,310	25,504,563	1,459,149	590,043	27,553,755
Top Ten % of Total	46.4%	6.0%	41.6%	74.7%	71.0%	46.5%

	2009					
	Individual		Total Individual	Corporate	Partnership	Total
	Withholding	Non-withholding				
Top Ten	11,317,826	159,139	11,476,965	1,155,217	1,193,570	13,825,752
All Others	17,193,675	3,678,335	20,872,010	627,439	423,218	21,922,667
Top Ten % of Total	39.7%	4.1%	35.5%	64.8%	73.8%	38.7%

Source: City of Kettering, Ohio, Finance Department

Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of income tax by taxpayer.

CITY OF KETTERING, OHIO

SCHEDULE 7

RATIOS OF OUTSTANDING DEBT BY TYPE AND LEGAL DEBT MARGINS - LAST TEN YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Obligation Bonds	\$14,963,217	\$14,204,735	\$13,425,000	\$12,750,000	\$12,055,000	\$26,325,000	\$25,337,079	\$23,876,912	\$22,371,747	\$20,786,469
Percent of estimated actual property value	0.42%	0.41%	0.42%	0.40%	0.38%	0.87%	0.84%	0.79%	0.69%	0.63%
Per capita	266	253	239	227	215	469	451	425	398	370
Special Assessment Bonds	271,783	140,265								
Promissory Notes	2,100,914	1,928,915	1,756,027	1,582,228	1,407,493	1,236,548	1,073,888	916,347	757,767	598,122
Total Gross Indebtedness	17,335,914	16,273,915	15,181,027	14,332,228	13,462,493	27,561,548	26,410,967	24,793,259	23,129,514	21,384,591
Percentage of personal income	0.93%	0.85%	0.77%	0.73%	0.67%	1.33%	1.21%	1.10%	1.03%	0.88%
Per capita	309	290	270	255	240	491	470	441	412	381
Less debt outside limitations:										
Special Assessment Debt	271,783	140,265								
Promissory Notes	2,100,914	1,928,915	1,756,027	1,582,228	1,407,493	1,236,548	1,073,888	916,347	757,767	598,122
Less debt service fund balance	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750	1,149,303
Net debt within limitations for both Voted and Unvoted debt	14,165,532	13,331,824	12,557,621	11,915,379	11,153,160	25,208,704	24,252,704	22,852,236	21,301,997	19,637,166
Debt limitation for both Voted and Unvoted debt 10.5% of assessed valuation	131,262,545	128,476,660	117,348,942	117,738,192	116,866,227	111,440,775	111,308,207	111,698,952	119,810,981	121,128,614
Legal debt margin for Voted and Unvoted debt	\$117,097,013	\$115,144,836	\$104,791,321	\$105,822,813	\$105,713,067	\$86,232,071	\$87,055,503	\$88,846,716	\$98,508,984	\$101,491,448
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	10.79%	10.38%	10.70%	10.12%	9.54%	22.62%	21.79%	20.46%	17.78%	16.21%
Net debt within limitations for both Voted and Unvoted limitation	\$14,165,532	\$13,331,824	\$12,557,621	\$11,915,379	\$11,153,160	\$25,208,704	\$24,252,704	\$22,852,236	\$21,301,997	\$19,637,166
Less voted debt	11,625,000	11,160,000	10,685,000	10,190,000	9,685,000	9,160,000	8,763,145	8,181,157	7,574,170	6,907,070
Net debt within limitations for Unvoted debt	2,540,532	2,171,824	1,872,621	1,725,379	1,468,160	16,048,704	15,489,559	14,671,079	13,727,827	12,730,096
Debt limitation for Unvoted debt 5.5% of assessed valuation	68,756,571	67,297,298	61,468,493	61,672,386	61,215,643	58,373,739	58,304,299	58,508,975	62,758,133	63,448,322
Legal debt margin for Unvoted debt	\$66,216,039	\$65,125,474	\$59,595,872	\$59,947,007	\$59,747,483	\$42,325,035	\$42,814,740	\$43,837,896	\$49,030,306	\$50,718,226
Net debt within limitations for Unvoted debt as a percentage of debt limit	3.69%	3.23%	3.05%	2.80%	2.40%	27.49%	26.57%	25.07%	21.87%	20.06%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2019

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Kettering ¹	Amount Applicable to City of Kettering
City of Kettering	\$21,384,591	100.0%	\$21,384,591
Overlapping debt:			
Kettering City School District	54,809,986	90.9%	49,822,277
Montgomery County	14,795,000	12.0%	1,775,400
Beavercreek Local School District	71,370,000	0.8%	570,960
Total overlapping debt	<u>140,974,986</u>		<u>52,168,637</u>
Total direct and overlapping debt	<u>\$162,359,577</u>		<u>\$73,553,228</u>

Source: Individual jurisdictions.

(1) The percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value.

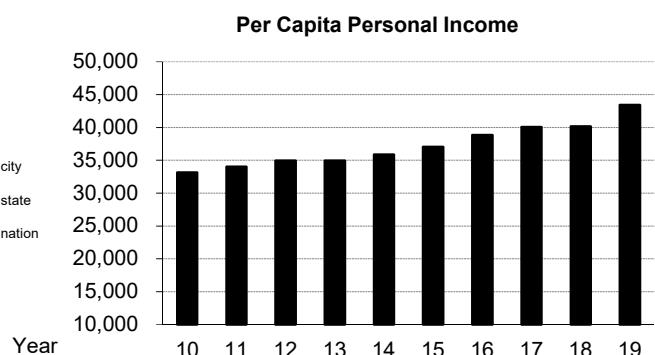
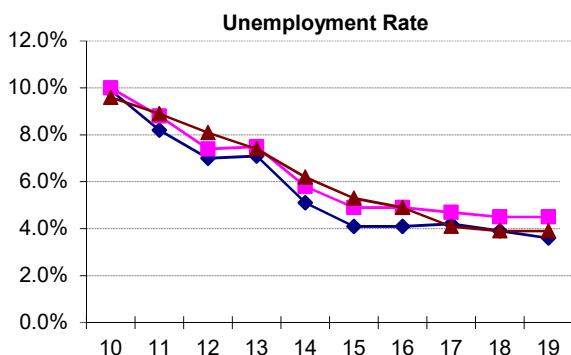
(2) Montgomery County data is from the prior year. Current year data was unavailable at the time of these statements. Individual jurisdictions with immaterial amounts of overlapping debt are excluded from this table.

SCHEDULE 9

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Year	Population ¹	Personal Income ²	Per capita Personal Income ^{1,2}	Unemployment Rate ³	Avg Sale Price for a Single Family Home ⁴	Total Assessed Property Value ⁵	Estimated Actual Property Value ⁵
2010	56,163	1,859,630,280	33,111	9.9%	125,734	1,250,119,480	3,583,279,738
2011	56,163	1,909,460,933	33,999	8.2%	108,793	1,223,587,240	3,490,854,036
2012	56,163	1,960,626,848	34,910	7.0%	110,466	1,117,608,970	3,187,939,565
2013	56,163	1,960,626,848	34,910	7.1%	114,781	1,118,117,290	3,189,050,388
2014	56,163	2,012,910,298	35,841	5.1%	116,414	1,113,011,690	3,173,886,488
2015	56,163	2,077,748,043	36,995	4.1%	134,150	1,061,340,710	3,026,043,126
2016	56,163	2,179,108,736	38,800	4.1%	139,320	1,060,078,160	3,022,293,674
2017	56,163	2,247,155,918	40,011	4.2%	142,952	1,063,799,540	3,032,476,036
2018	56,163	2,253,732,019	40,128	3.9%	149,596	1,141,056,960	3,252,936,550
2019	56,163	2,437,737,193	43,405	3.6%	162,745	1,153,605,850	3,288,359,328

- (1) 2000 & 2010 United States Census Bureau.
- (2) City of Kettering, Ohio, Finance Department.
- (3) Ohio Bureau of Employment Services.
- (4) Dayton Area Board of Realtors, Dayton, Ohio.
- (5) Montgomery County, Ohio, Auditor's Office.



PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

Employer	2019		2009	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,570	12.23%	Kettering Medical Center	3,100 10.99%
Synchrony Financial	1,900	6.51%	GE Money ²	1,700 6.03%
Reynolds & Reynolds Company	1,350	4.62%	Reynolds & Reynolds Company	1,250 4.43%
Kettering City Schools	1,208	4.14%	Kettering City Schools	1,137 4.03%
Mast Global Digital ¹	1,000	3.42%	Intimate Brands Inc ¹	1,000 3.55%
City of Kettering	580	1.99%	City of Kettering	900 3.19%
Meijer Inc.	550	1.88%	Eastman Kodak Company	700 2.48%
Tenneco	625	2.14%	Meijer Inc.	550 1.95%
Spectrum	500	1.71%	Tenneco	300 1.06%
Total	11,283	38.64%	Total	10,637 37.71%

Source: City of Kettering, Ohio, Office of Economic Development

(1) Mast Global Digital and Intimate Brands Inc are both owned by L Brands

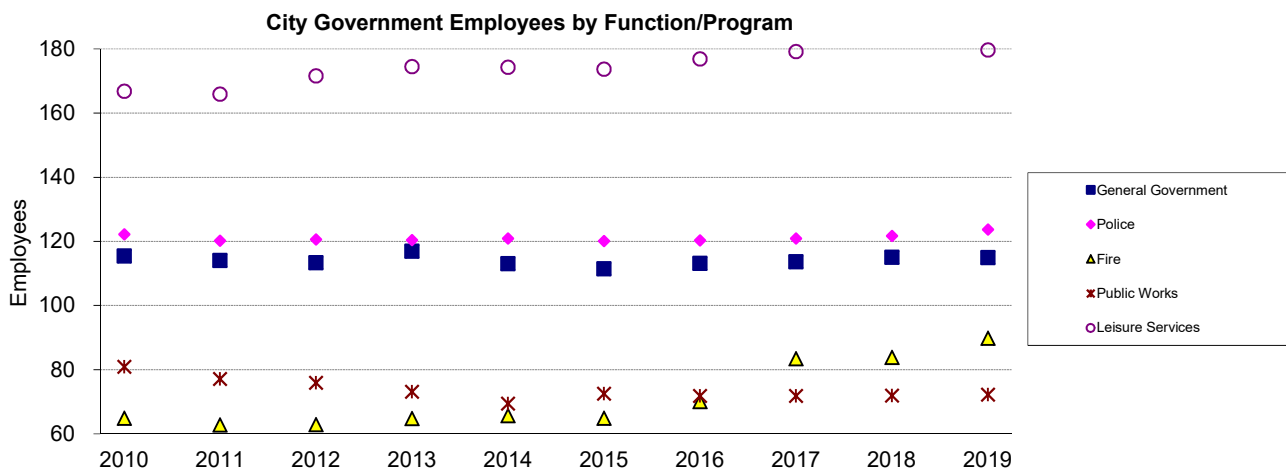
(2) GE Money is now Synchrony Financial

SCHEDULE 11

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (full-time equivalents)
LAST TEN YEARS

Function/program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	115.4	114.0	113.3	116.9	113.0	111.4	113.1	113.6	115.0	114.9
Police	122.2	120.2	120.6	120.4	120.9	120.1	120.3	120.9	121.7	123.7
Fire	64.8	62.7	62.9	64.7	65.7	64.8	70.0	83.4	83.7	89.7
Public Works	80.9	77.1	75.9	73.2	69.4	72.5	71.8	71.9	72.0	72.3
Leisure Services	166.8	165.9	171.5	174.5	174.3	173.7	176.9	179.1	180.1	179.6
Total	550.3	539.8	544.2	549.6	543.2	542.5	552.1	568.9	572.5	580.2

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

<u>Function/program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government										
Positions filled ¹	7	14	21	26	24	38	38	36	22	24
Permits issued ²	2,857	2,773	2,520	2,705	3,249	2,679	3,180	3,975	3,304	3,655
Inspections performed ²	7,101	5,933	6,100	6,118	6,115	6,260	7,024	8,424	8,374	8,399
CDBG loan applications ³	60	44	60	36	51	75	62	58	33	34
Payroll checks processed ⁴	20,873	20,629	20,873	20,712	21,287	22,310	21,350	21,446	21,212	23,645
Purchase orders issued ⁵	1,978	2,158	2,000	2,051	2,030	1,984	1,880	2,156	1,943	2,063
Ordinances & resolutions ⁶	198	175	201	162	172	185	182	210	178	175
Court cases ⁷	19,903	20,049	18,640	17,630	16,710	14,970	15,739	15,499	14,338	12,428
Police										
Criminal arrests ⁸	2,813	3,171	3,400	3,201	3,059	3,299	4,059	4,414	3,905	3,227
Calls for service ⁹	61,684	67,331	66,441	64,962	60,686	61,085	68,614	73,752	60,348	54,079
Fire										
Fire alarms ¹⁰	1,603	1,960	1,786	1,990	1,664	1,851	1,719	1,816	1,874	1,742
Medic alarms ¹⁰	5,600	5,557	5,565	5,490	6,192	6,596	6,925	7,109	7,096	7,293
Public Works										
Asphalt resurfacing (miles) ¹¹	11	14	9	10	10	9	18	18	14	10
Truckloads of leaves picked-up ¹²	1,623	1,388	1,298	1,540	1,660	1,525	1,358	1,166	1,730	1,432
Tons of snow melting salt used ¹²	5,917	4,708	1,603	5,529	5,397	3,808	3,655	1,222	5,225	4,575
Leisure Services										
Recreation complex attendance ¹³	1,168,708	981,121	1,046,817	1,009,534	927,240	887,967	835,631	787,307	823,675	739,612
Fraze Pavilion tickets sold ¹³	82,523	92,224	90,343	97,975	97,958	99,462	92,317	77,393	74,358	80,341

(1) City of Kettering, Human Resources Department

(2) City of Kettering, Planning and Development Dept. Permits and inspections performed include Building, Electrical, Plumbing & Heating.

(3) City of Kettering, Planning and Development Department. Community Development Block Grant (CDBG) loan applications processed include housing rehabilitation, purchase rehabilitation, and business loan applications.

(4) City of Kettering, Finance Department. Payroll checks include electronic funds transfers processed for payroll.

(5) City of Kettering, Finance Department.

(6) City of Kettering, Law Department

(7) City of Kettering, Municipal Court

(8) City of Kettering, Police Department. Criminal arrests include arrests by detective section and patrol.

(9) City of Kettering, Police Department.

(10) City of Kettering, Fire Department.

(11) City of Kettering, Public Service Department, Engineering Division

(12) City of Kettering, Public Service Department, Street Division

(13) City of Kettering, Parks, Recreation, and Cultural Arts Department

SCHEDULE 13

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS

<u>Function/program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government										
Square footage occupied ¹	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933
Police										
Stations ¹	1	1	1	1	1	1	1	1	1	1
Square footage of building ¹	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations ¹	7	7	7	6	6	5	5	5	5	5
Public Works										
Miles of roads ²	246	246	247	248	248	248	248	248	248	248
Miles of storm sewer/channel ²	175	175	175	175	175	176	176	176	176	177
Leisure Services										
Number of parks ³	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) ³	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft ¹	161,119	161,119	161,119	161,119	161,119	161,119	161,119	161,119	161,119	161,119

(1) City of Kettering, Facilities Department

(2) City of Kettering, Public Service Department, Engineering Division

(3) City of Kettering, Parks, Recreation, and Cultural Arts Department