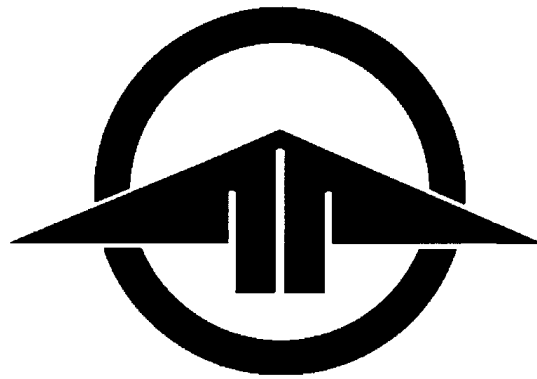


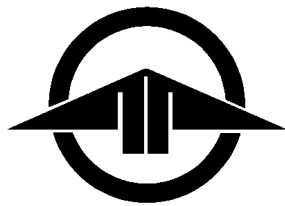
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2018**



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



CITY OF KETTERING

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FOR THE YEAR ENDED DECEMBER 31, 2018****TABLE OF CONTENTS**

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## **INTRODUCTORY SECTION**



March 29, 2019

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, 2018, 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 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 continue to be positive after the decline in employment during the recession. This downward trend has reversed in the past few years. This has a direct impact on our largest General Fund revenue, income tax. Fortunately 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 income tax revenue decreased slightly in 2018, primarily due to both individual and business tax filings that reflected responses to the federal income tax law changes. Employer withholding tax, representing about 75% of total income tax revenue, continued a steady increase in 2018.

The diversity of Kettering's employment base served to diminish the overall impact of any decline in employment from the recession. 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. After completion of a \$49 million cancer care center in December 2016, KMC began construction on a state of the art command center in the Kettering Business Park. The facility will handle all scheduling for the entire health network and will open in 2019. 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 and currently employ 2,000 at their Kettering 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 for \$1.5 million 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. As a first start, Community Tissue Services (CTS) broke ground in 2018 for 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 plans to consolidate two national plants in its Kettering location and make significant reinvestment in the property bringing hundreds of new high paying jobs to the facility. The School of Advertising Art completed a major campus expansion in 2018 and is now The Modern College of Design, offering a Bachelor of Arts degree. Resonetics is the leader in laser micro manufacturing solutions for life sciences. The company utilizes laser technology to solve manufacturing challenges, allowing life saving devices to advance to commercialization. Resonetics recently added a

second Lightspeed Application Development Lab to its Miami Valley Research Park Facility with dedicated systems for laser ablation, cutting, and welding. Alternate Solutions Health Network is a regional provider of at home health care and founded by a Kettering couple. The company purchased an existing 200,000 square foot facility at the Kettering Business Park 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. N12 Technologies, Inc., a manufacturing company servicing the medical, automotive, aviation and space sectors will open an Ohio anchor facility in the Kettering Business Park. The company plans to relocate from Massachusetts to Kettering after renovating and upgrading 6,000 square feet of the NCC Building bringing new jobs in the valuable technology arena. Finally, the City continues to implement 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 several properties along the corridor and demolished the outdated buildings to make way for new development. In 2019, the City will improve the landscaping on these lots and market them for reinvestment. Also in 2019, construction will be complete on a new Dayton-Montgomery County Library branch at the corner of Wilmington Pike and Stroop Road. The City will continue to act as a catalyst for reinvestment in this vital area in future years.

The City completed implementation of a significant capital investment in the construction of four new fire stations. This was part of a strategic planning process that began in 2006 to develop a comprehensive modernization strategy for all aspects of the Fire Department. A key component of the strategy was addressing the physical facilities with an average age of 42 years. The existing stations were undersized for modern apparatus, void of mixed gender facilities for 24/7 operations, and did not meet ADA requirements. The first two new stations were completed and placed in full operation during 2016. The third station, #34

at 2575 Woodman Drive, opened for business in November 2017, and the fourth and final station at 1300 West Dorothy Lane 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. In conjunction with the issuance of debt, the City's bond rating was upgraded by Moody's Investors Service from Aa2 to Aa1. Moody's cited the City's strong financial management practices, healthy General Fund reserves and additional liquidity in the Capital Projects Fund, and moderate debt burden as the primary reasons for the upgrade.

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 2010, but a new agreement has extended the program for an additional nine 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 2019 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.

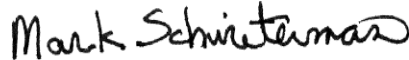
**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2017. The Certificate 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 36



consecutive years (fiscal years ended 1982-2017). 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, 2018. The City of Kettering has received a Distinguished Budget Presentation Award for the last 33 consecutive years (fiscal years beginning 1986-2018). 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

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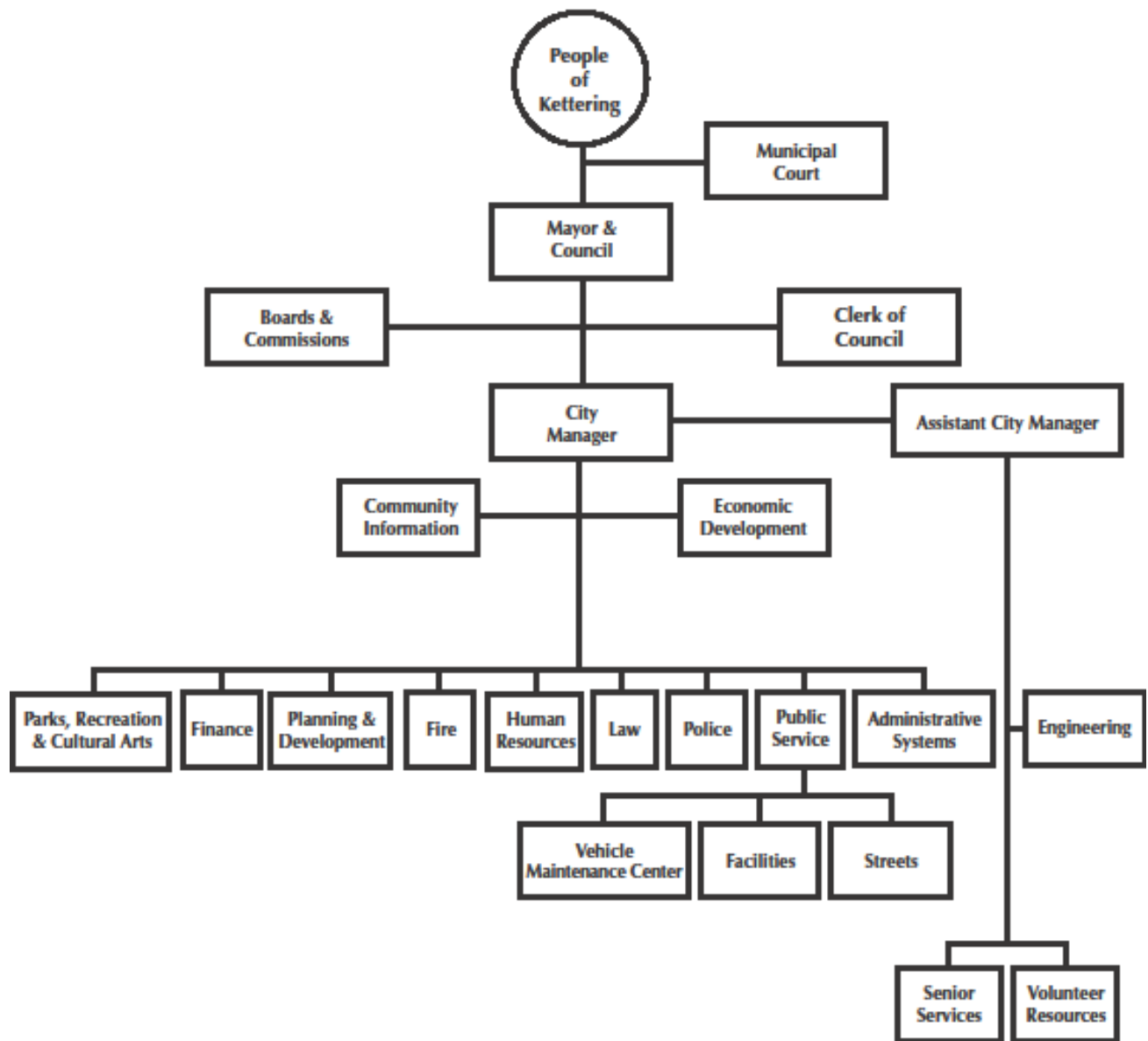
## CITY OF KETTERING, OHIO

### 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
Rachel F. Dexter, CPA	Tax Manager
Tracy L. Roesle	Secretary
Martin J. Van Oss, CPA	Financial Analyst
Justin R. Wiedle, CPA	Financial Analyst
Rhonda L. South	Finance Technician II
Sharin L. Snively	Finance Technician II
Lynn A. Blumenschein	Finance Technician II - Part-Time
Kimberly M. Koogler	Finance Technician II
Melissa K. Schultz, CPA	Finance Technician II
Jeri N. Evenden	Finance Technician II
Lindsey J. Miles	Finance Technician II
Christopher E. Cottrill	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
Christine M. Miller	Finance Clerk - Part Time

# City of Kettering 2018 Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

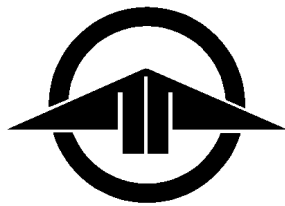
**City of Kettering  
Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for 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, 2018, 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.



**Emphasis of Matter**

As discussed in Note 16 to the financial statements, during the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. We did not modify our opinion regarding this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require 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.

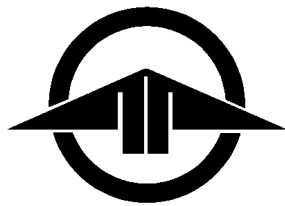
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, 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 29, 2019



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, 2018.

**FINANCIAL HIGHLIGHTS**

1. Net position decreased \$13,660,700 or 9.0% while unrestricted net position decreased \$16,868,500 or 202.9%. The majority of these decreases 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 decreased .6% while total expenses increased 3.6%.
3. Charges for services increased 7.5%.
4. Operating grants and contributions increased 2.6% and capital grants and contributions decreased 53.8%.
5. Income taxes decreased \$1,245,900 or 2.6%.
6. Investment earnings increased \$517,200 or 50.6%.
7. Total costs of services increased 3.7%, while net costs of services increased 6.3%.
8. The General Fund reported a decrease in fund balance of \$2,042,200.

**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 solely as a trustee or agent for the benefit of those outside of the government.

**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 2018 compared to 2017:

**TABLE 1**  
**NET POSITION**

	2018	2017-Restated
Current and other assets	\$115,711,652	\$124,969,232
Capital assets	181,054,014	179,669,385
Total assets	<u>296,765,666</u>	<u>304,638,617</u>
Deferred outflows of resources	<u>22,640,662</u>	<u>23,756,397</u>
Long-term debt outstanding	(28,235,212)	(29,742,848)
Net pension and OPEB liability	(126,389,596)	(126,822,304)
Other liabilities	<u>(7,456,864)</u>	<u>(8,639,080)</u>
Total liabilities	<u>(162,081,672)</u>	<u>(165,204,232)</u>
Deferred inflows of resources	<u>(19,707,741)</u>	<u>(11,913,207)</u>
Net position:		
Net investment in capital assets	157,924,500	154,876,124
Restricted	4,874,243	4,714,828
Unrestricted	<u>(25,181,828)</u>	<u>(8,313,377)</u>
Total net position	<u>\$137,616,915</u>	<u>\$151,277,575</u>

The largest impacts on the City’s financial statement in 2018 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”. For fiscal year 2018, the City adopted GASB 75, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). GASB 68 and GASB 75 required the City to recognize a pension/OPEB liability of over \$126 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 \$250,407,200, which is \$113 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.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$199,148,479 to \$151,277,575.

**TABLE 2**  
**CHANGES IN NET POSITION**

	2018	2017
Revenues		
Program revenues:		
Charges for services	\$11,553,337	\$10,751,026
Operating grants and contributions	1,556,208	1,516,856
Capital grants and contributions	1,871,684	4,052,442
General revenues:		
Income taxes	47,490,344	48,736,262
Property taxes	6,942,631	6,389,160
Other taxes	3,745,264	3,713,967
Investment earnings	1,539,998	1,022,835
Other general revenue	5,289,779	4,258,741
Total revenues	<u>79,989,245</u>	<u>80,441,289</u>
Program expenses		
General government	19,692,377	17,835,211
Police	19,660,703	15,327,428
Fire	18,131,408	19,797,057
Public works	16,800,509	17,497,488
Leisure services	18,619,650	19,179,484
Interest on long-term debt	745,258	799,738
Total expenses	<u>93,649,905</u>	<u>90,436,406</u>
Increase (decrease) in net position	(13,660,660)	(9,995,117)
Net position beginning, restated	<u>151,277,575</u>	N/A
Net position ending	<u>\$137,616,915</u>	<u>\$151,277,575</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$329,345 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$4,917,648. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB75	\$93,649,905
OPEB expense under GASB 75	(4,917,648)
2018 contractually required contribution	<u>80,841</u>
Adjusted 2018 operating expenses	88,813,098
Total 2017 operating expenses under GASB 45	90,436,406
Change in operating expenses not related to OPEB	<u><u>(\$1,623,308)</u></u>

For 2018 the City produced a 9.0% decrease in total net position. Revenues generated were \$80 million and expenses from all programs were \$93.6 million resulting in a deficit for the year of \$13,660,700. 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 — decreased \$16,868,500. As stated above, the requirement that the City recognize a pension/OPEB liability of over \$126 million distorts the City's net position and unrestricted net position.

Explanations for the larger fluctuations between years are as follows:

- Income tax revenues decreased primarily due to increased refund requests and fluctuations in estimated payments.
- Capital grants and contributions were lower because of decreased funding for roadway and signal projects.
- Investment earnings increased due to higher interest rates and the effects of portfolio fair market value changes.
- Miscellaneous revenues increased due to the 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	
	2018	2017	2018	2017
Police	\$19,660,703	\$15,327,428	\$19,623,316	\$15,254,234
Fire	18,131,408	19,797,057	16,713,639	18,604,992
Public works	16,800,509	17,497,488	14,907,715	13,427,286
Leisure services	18,619,650	19,179,484	10,539,780	11,633,118
All others	19,692,377	17,835,211	16,138,968	14,396,714
	<u>\$92,904,647</u>	<u>\$89,636,668</u>	<u>\$77,923,418</u>	<u>\$73,316,344</u>

Total costs of services for 2018 increased by \$3,268,000 while net costs of services increased by \$4,607,100. Total costs increased primarily due to expenses for the purpose of economic development. Note that although not reflected in the table above, the total increase in economic development costs are partially offset by amounts reported as Miscellaneous revenues, such as from the sale of Miami Valley Research Park land and income realized from the sale of the Forrer Boulevard property. Net costs of services increased because of decreased grant revenue for roadway and signal projects.

The capital asset activity for the year was reduced. Capital asset additions totaled \$12.7 million compared to \$13.4 million in 2017. 2018's larger additions included over \$5 million in new fire stations and \$5.3 million in street improvements. Total net capital assets for 2018 were \$181,054,014. Of this total, \$12,830,291 was not being depreciated and the capital assets being depreciated totaled \$325,408,404 with accumulated depreciation of \$157,184,681.

At December 31, 2018, the City had various debt issues outstanding, which included \$22,035,000 of general obligation bonds and \$757,767 of promissory notes. As of December 31, 2018, the City's net general obligation bonded debt of \$22,371,747 was well below the legal limit of \$119,810,981 and debt per capita equaled \$411.83.

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 \$81.8 million, which is 9.1% lower than last year's total of \$90 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 \$159,300, or .3% overall decrease in revenues for 2018. At the same time expenditures increased by \$2,820,700 or 6.3%, and transfers out increased by \$907,600 or 5.7%. The City's General Fund balance decreased in 2018 by \$2,042,200. While property tax revenues and investment earnings were higher in 2018, the overall decrease in revenues can be attributed primarily to reduced income tax receipts resulting from increased refund requests and fluctuating estimated payments. Estimated payments were lower as a result of taxpayers' response to federal income tax law changes. Total revenues for the General Fund were \$60.9 million while total expenditures were \$47.9 million. Transfers to other funds totaled \$16.8 million resulting in the \$2,042,200 decrease to the General Fund balance.

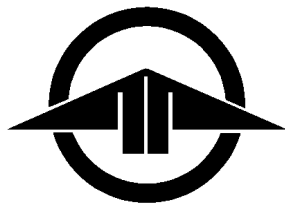
The Emergency Medical fund transferred \$360,000 out to the Capital Projects Fund. This money helped fund the construction and equipping of a new fire station.

Revenues in the Capital Projects fund decreased by \$2.5 million or 48.8%. This decrease was due to reduced grant revenue for roadway and signal projects. Reduction in signal projects is primarily responsible for the \$2.1 million or 12.9% decrease in capital project expenditures. There were no other material changes to the major funds in 2018.

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, 2018 produced a decrease to the General Fund balance. This decrease is partially attributable to decreased income tax revenues; however, it is also the result of a planned reduction in fund balance to cover capital improvements. With the current healthy economy, it is anticipated that income tax revenues will increase in the coming year. The City is still dealing with the State reducing the local share of sales tax distributions as well as the State's total elimination of the estate tax in 2013.





CITY OF KETTERING

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

<b>ASSETS</b>	
Pooled cash and investments (note 2)	\$84,311,915
Receivables:	
Income taxes (net of allowance for \$1,590,391)	10,072,800
Property taxes	7,121,554
Payments in lieu of taxes	437,000
Interest	688,976
Accounts	453,058
Special assessments	1,090,000
Loans (net of allowance for \$25,219)	6,933,198
Due from other governments	2,249,740
Prepaid expenses	282,916
Inventory	456,373
Assets held for resale	1,614,122
Capital assets not being depreciated (note 7)	12,830,291
Capital assets being depreciated, net (note 7)	168,223,723
Total assets	<u>296,765,666</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension and OPEB	<u>22,640,662</u>
Total deferred outflows	<u>22,640,662</u>
<b>LIABILITIES</b>	
Accounts payable	3,020,504
Salary and benefits payable	1,878,379
Accrued interest payable	63,807
Accrued health claims	476,937
Unearned revenue	2,017,237
Noncurrent liabilities (note 12)	
Due within one year	4,850,178
Due in more than one year	
Net pension and OPEB liability	126,389,596
Other amounts	23,385,034
Total liabilities	<u>162,081,672</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes	8,211,554
Grants, other taxes and payments in lieu of taxes	2,454,819
Pension and OPEB	9,041,368
Total deferred inflows	<u>19,707,741</u>
<b>NET POSITION</b>	
Net investment in capital assets	157,924,500
Restricted for:	
Debt service	1,069,750
Social services	1,286,271
Public safety	380,171
Road construction/Public works	186,229
Leisure services	49,820
Municipal court activities	1,902,002
Unrestricted	<u>(25,181,828)</u>
Total net position	<u>\$137,616,915</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

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	\$19,692,377	\$2,607,383	\$946,026	\$0	(\$16,138,968)
Police	19,660,703	28,109	9,278		(19,623,316)
Fire	18,131,408	1,402,403	15,366		(16,713,639)
Public works	16,800,509	21,110		1,871,684	(14,907,715)
Leisure services	18,619,650	7,494,332	585,538		(10,539,780)
Interest on long-term debt	745,258				(745,258)
Total	<u>\$93,649,905</u>	<u>\$11,553,337</u>	<u>\$1,556,208</u>	<u>\$1,871,684</u>	<u>(78,668,676)</u>
General revenues:					
Taxes:					
					47,490,344
					6,134,096
					808,535
					552,219
					2,000,198
					765,828
					151,244
					275,775
					1,036,766
					326,434
					1,539,998
					2,108,651
					1,817,928
					<u>65,008,016</u>
					(13,660,660)
					151,277,575
					<u>\$137,616,915</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$37,614,684	\$690,197	\$594,157	\$1,975,222
Receivables:				
Income taxes (net of allowance for \$1,590,391)	10,072,800			
Property taxes	6,006,554			
Payments in lieu of taxes				
Interest	688,976			
Accounts	242,383		52,730	1,000
Special assessments	400,000			
Loans (net of allowance for \$25,219)	6,037,819			
Due from Other Special Revenue fund	991			
Due from other governments	792,789	1,197,517	14,217	
Prepaid expenditures	193,874	19,088	36,820	12,542
Inventory		128,107		
Assets held for resale	1,614,122			
Total assets	<u>\$63,664,992</u>	<u>\$2,034,909</u>	<u>\$697,924</u>	<u>\$1,988,764</u>
<b>LIABILITIES</b>				
Accounts payable	\$1,070,613	\$38,509	\$215,752	\$44,237
Due to General fund				
Accrued payroll	1,286,727	113,949	173,294	13,258
Unearned revenue	1,659,117		77,216	280,903
Total liabilities	<u>4,016,457</u>	<u>152,458</u>	<u>466,262</u>	<u>338,398</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Income taxes	6,412,855			
Property taxes	6,406,554			
Grants, other taxes and payments in lieu of taxes	2,692,307	900,000		
Total deferred inflows of resources	<u>15,511,716</u>	<u>900,000</u>		
<b>FUND BALANCES</b>				
Nonspendable: Inventory, prepaids and loans	5,827,996	147,195	36,820	12,542
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	88,777			
Public safety	813,801			
Road construction / Public works	70,036	835,256		
Leisure services			194,842	1,637,824
Economic development	1,035,129			
Other purposes	277,955			
Assigned for future appropriations	6,492,300			
Unassigned:	29,530,825			
Total fund balances	<u>44,136,819</u>	<u>982,451</u>	<u>231,662</u>	<u>1,650,366</u>
Total liabilities, deferred inflows & fund balances	<u>\$63,664,992</u>	<u>\$2,034,909</u>	<u>\$697,924</u>	<u>\$1,988,764</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
\$381,560	\$3,278	\$959,506	\$30,293,121	\$3,582,794	\$76,094,519
		808,000		307,000	10,072,800
			437,000		7,121,554
					437,000
					688,976
	38,568	115,704	525	651	451,561
			690,000		1,090,000
895,379					6,933,198
					991
32,297		58,900	12,585	141,435	2,249,740
450				999	263,773
					128,107
					1,614,122
<u>\$1,309,686</u>	<u>\$41,846</u>	<u>\$1,942,110</u>	<u>\$31,433,231</u>	<u>\$4,032,879</u>	<u>\$107,146,341</u>
\$23,415	\$1,820	\$5,460	\$1,237,224	\$50,336	\$2,687,366
				991	991
				192,864	1,780,092
					2,017,236
<u>23,415</u>	<u>1,820</u>	<u>5,460</u>	<u>1,237,224</u>	<u>244,191</u>	<u>6,485,685</u>
					6,412,855
		808,000	690,000	307,000	8,211,554
<u>32,297</u>		<u>58,900</u>	<u>449,585</u>	<u>97,322</u>	<u>4,230,411</u>
<u>32,297</u>		<u>866,900</u>	<u>1,139,585</u>	<u>404,322</u>	<u>18,854,820</u>
				999	6,025,552
		1,069,750			1,069,750
1,253,974					1,253,974
				380,171	380,171
				113,329	113,329
				49,820	49,820
				1,902,002	1,902,002
				7,404	96,181
	40,026		12,621	13,020	879,468
			502,496		1,407,788
			640,341	869,355	3,342,362
					1,035,129
			27,900,964	48,266	28,227,185
					6,492,300
					29,530,825
<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>\$1,309,686</u>	<u>\$41,846</u>	<u>\$1,942,110</u>	<u>\$31,433,231</u>	<u>\$4,032,879</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.	180,145,521
Other noncurrent assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	6,412,857
Grants and other taxes receivable	1,775,591
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.	3,323,564
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	(23,129,514)
Pension and OPEB	(107,948,426)
Vacation and sick leave benefits	(4,704,707)
Accrued interest on bonds payable	(63,807)
Net Position of Governmental Activities	<u>\$137,616,915</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Street Maintenance	Major Parks, Recreation & Cultural Arts	Special Fraze Pavilion
<b>REVENUES</b>				
Income taxes	\$47,663,176			
Property taxes	5,827,058			
Payments in lieu of taxes				
Licenses and permits	730,259	\$21,110		
Intergovernmental revenue	1,614,863	2,572,605	\$27,120	
Charges for services	178,751		3,561,545	\$3,932,787
Fines and forfeits	1,190,764			
Investment earnings	910,924			
Special assessments	402,881			
Refunds and reimbursements	2,314,249	235,077	131,236	21,813
Miscellaneous	43,531	13,064	39,307	536,466
Total revenues	<u>60,876,456</u>	<u>2,841,856</u>	<u>3,759,208</u>	<u>4,491,066</u>
<b>EXPENDITURES</b>				
Current:				
General government	15,448,451			
Police	14,836,889			
Fire	14,620,914			
Public works	2,981,110	6,497,369		
Leisure services			10,383,785	4,576,019
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>47,887,364</u>	<u>6,497,369</u>	<u>10,383,785</u>	<u>4,576,019</u>
Excess (deficiency) of revenues over expenditures	<u>12,989,092</u>	<u>(3,655,513)</u>	<u>(6,624,577)</u>	<u>(84,953)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		3,984,000	6,667,000	
Transfers out	(16,776,977)			
Sale of city assets	1,745,701	12,835	37,768	477
Total Other Financing Sources (Uses)	<u>(15,031,276)</u>	<u>3,996,835</u>	<u>6,704,768</u>	<u>477</u>
Net change in fund balance	<u>(2,042,184)</u>	<u>341,322</u>	<u>80,191</u>	<u>(84,476)</u>
Fund balances--beginning	46,179,003	641,129	151,471	1,734,842
Fund balances--ending	<u>\$44,136,819</u>	<u>\$982,451</u>	<u>\$231,662</u>	<u>\$1,650,366</u>

See accompanying notes to the basic financial statements.



**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2018**

	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Pooled cash and investments	\$8,217,395
Accounts receivable	1,498
Prepaid expenses	19,143
Inventory	328,266
Total current assets	<u>8,566,302</u>
Noncurrent Assets:	
Capital assets:	
Buildings and improvements	757,936
Machinery and equipment	2,753,838
Less: Accumulated depreciation	<u>(2,603,281)</u>
Total noncurrent assets	<u>908,493</u>
Total assets	<u>9,474,795</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension and OPEB	888,105
Total deferred outflows	<u>888,105</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	333,136
Accrued payroll	98,289
Accrued health claims	476,937
Total current liabilities	<u>908,362</u>
Noncurrent liabilities:	
Accrued vacation and sick benefits due within one year	248,615
Accrued vacation and sick benefits due within more than one year	152,377
Net pension and OPEB liability	<u>4,897,642</u>
Total noncurrent liabilities	<u>5,298,634</u>
Total liabilities	<u>6,206,996</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension and OPEB	832,339
Total deferred inflows	<u>832,339</u>
<b>NET POSITION</b>	
Net investment in capital assets	908,492
Unrestricted	2,415,072
Total net position	<u>\$3,323,564</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, 2018

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	<u>\$14,046,651</u>
Total operating revenues	<u>14,046,651</u>
OPERATING EXPENSES	
Personal services	4,224,680
Repairs and maintenance	1,376,150
Contractual services	6,801,141
Other materials and expenses	512,502
Depreciation	<u>292,700</u>
Total operating expenses	<u>13,207,173</u>
Operating income (loss)	<u>839,478</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>133,549</u>
Change in net position	<u>973,027</u>
Total net position--beginning as restated (Note 16)	<u>2,350,537</u>
Total net position--ending	<u><u>\$3,323,564</u></u>

See accompanying notes to the basic financial statements.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 Increase (Decrease) in cash**

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$14,089,745
Cash paid to suppliers for goods or services	(8,049,469)
Cash paid to employees for services	(4,260,051)
Net cash provided (used) by operating activities	<u>1,780,225</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(330,551)
Sale of capital assets	8,373
Net cash used by capital and related financing activities	<u>(322,178)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	133,548
Net cash provided by investing activities	<u>133,548</u>
Net increase (decrease) in cash	1,591,595
Cash at beginning of year	6,625,800
Cash at end of year	<u><u>\$8,217,395</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$839,478
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	292,700
Increase (decrease) in net pension and OPEB liability	(1,097,835)
(Increase) decrease in deferred outflows - pension and OPEB	738,942
Increase (decrease) in deferred inflows - pension and OPEB	787,240
(Increase) decrease in receivables	51,468
(Increase) decrease in inventories	(39,369)
Increase (decrease) in accounts payable	199,953
Increase (decrease) in accrued health claims	28,918
Net (increase) decrease in other operating net position	(21,270)
Net cash provided (used) by operating activities	<u><u>\$1,780,225</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2018

	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS		
Pooled cash and investments	\$96,640	\$420,542
Investments with fiscal agent, at fair value:		
Other investments		226,283
Total assets	<u>96,640</u>	<u>\$646,825</u>
LIABILITIES		
Accounts payable		\$8,948
Withholdings payable		389,144
Undistributed moneys		226,283
Unclaimed moneys		22,450
Total liabilities		<u>\$646,825</u>
NET POSITION		
Restricted	<u>\$96,640</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018

ADDITIONS	
Investment earnings (loss)	<u>\$1,704</u>
Total additions	<u>1,704</u>
DEDUCTIONS	
Pension payments	
Total deductions	
Net increase (decrease)	<u>1,704</u>
Net position--beginning of year	<u>94,936</u>
Net position--end of year	<u>\$96,640</u>

See accompanying notes to the basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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## 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.

**Fraze Pavilion Fund** – This fund accounts for moneys restricted, committed, or assigned for the Fraze Pavilion amphitheater operations.

**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.

**Agency Funds** – These funds account for assets held by the City as an agent for: 1) various local governments collected by the municipal court, 2) payroll withholdings and 3) unclaimed moneys 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. Agency funds do not involve the measurement of results of operations and therefore have no measurement focus.

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.

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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, 2018, but which were levied to finance year 2019 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 \$4,349,224. Of this amount, \$582,524 was insured; the remaining \$3,766,700 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 had \$5,160,664 in corporate bonds issued by Bank of America, \$5,038,295 in corporate bonds issued by PepsiCo, and \$4,305,789 in corporate bonds issued by Cisco. These amounts represent 6.1%, 5.9%, and 5.1% respectively of the pooled cash and investments. At year-end, \$4,166,160 of the securities in the corporate bond category below are rated "BAA1", the remaining \$70,222,166 are rated "A" or better. 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, 2018 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	\$74,388,326	\$55,705,293	\$18,683,033		
STAR Ohio	6,447,566	6,447,566			
Total	<u>\$80,835,892</u>	<u>\$62,152,859</u>	<u>\$18,683,033</u>	<u>\$0</u>	<u>\$0</u>

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, 2018:

- Corporate bonds of \$74,388,326 are valued using a matrix pricing model (Level 2 inputs)
- Pooled investment funds (STAR Ohio) of \$6,447,566 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, 2017
Lien date	December 31, 2017
Tax bill mailed	January 20, 2018
First installment payment due	February 15, 2018
Second installment payment due	July 15, 2018

The assessed values for the City at December 31, 2017 were as follows:

	<b>Assessed Value</b>
	<b>Category</b>
Real Estate	\$1,116,035,510
Public Utility Real Property	13,950
Public Utility Personal Property	25,007,500
Total	<u>\$1,141,056,960</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 2043. Fund balance has been classified as restricted for the loans receivable at December 31, 2018. 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, 2018.

### 6. INTERFUND TRANSFERS

All transfers for 2018 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 \$360,000 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, 2018, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$12,291,367	\$65,657	(\$221,661)	\$12,135,363
Right of Way	694,928			694,928
Subtotal	<u>12,986,295</u>	<u>65,657</u>	<u>(221,661)</u>	<u>12,830,291</u>
Capital assets being depreciated:				
Buildings and improvements	77,043,809	5,083,838	(8,295)	82,119,352
Machinery and equipment	20,947,866	2,003,776	(384,169)	22,567,473
Infrastructure	217,847,057	5,591,032	(2,716,510)	220,721,579
Subtotal	<u>315,838,732</u>	<u>12,678,646</u>	<u>(3,108,974)</u>	<u>325,408,404</u>
Accumulated depreciation:				
Buildings and improvements	(39,771,466)	(2,378,708)	8,295	(42,141,879)
Machinery and equipment	(12,861,383)	(1,705,928)	337,057	(14,230,254)
Infrastructure	(96,522,794)	(7,006,264)	2,716,510	(100,812,548)
Subtotal	<u>(149,155,643)</u>	<u>(11,090,900)*</u>	<u>3,061,862</u>	<u>(157,184,681)</u>
Net capital assets being depreciated	<u>166,683,089</u>	<u>1,587,746</u>	<u>(47,112)</u>	<u>168,223,723</u>
Net capital assets	<u>\$179,669,384</u>	<u>\$1,653,403</u>	<u>(\$268,773)</u>	<u>\$181,054,014</u>

\*Depreciation expense was charged to governmental functions as follows:

General government	\$677,053
Police	316,815
Fire	1,083,127
Public works	6,989,436
Leisure services	1,731,769
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.	292,700
Total depreciation expense	<u>\$11,090,900</u>

## 8. RISK MANAGEMENT

The City is a member of a public entity risk pool, Miami Valley Risk Management Association, Inc. (MVRMA) with nineteen 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, 2018, 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 \$476,937 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
2017	\$455,052	\$5,894,938	\$5,901,971	\$448,019
2018	448,019	6,117,043	6,088,125	476,937

## 9. DEFINED BENEFIT PENSION PLANS

### NET PENSION LIABILITY/NET OTHER POSTEMPLOYMENT BENEFITS (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 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 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** The City’s employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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 <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members 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 and combined plans 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

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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2018, The City's contractually required contribution was \$3,194,043 for the traditional plan. Of this amount \$177,277 is reported as an intergovernmental payable.

#### PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, 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 three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$3,413,819 for 2018. Of this amount \$152,240 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017 to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the:			
Net Pension Liability	\$23,985,948	\$44,469,396	\$68,455,344
Proportion of the Net Pension Liability:			
Current Measurement Date	0.15289300%	0.72455800%	
Prior Measurement Date	<u>0.15278300%</u>	<u>0.68687500%</u>	
Change in Proportionate Share	<u>0.00011000%</u>	<u>0.03768300%</u>	
Pension Expense	\$5,279,784	\$6,100,584	\$11,380,368

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$24,496	\$674,854	\$699,350
Changes in assumptions	2,866,482	1,937,766	4,804,248
Changes in employer proportionate share of net pension liability	11,519	3,556,283	3,567,802
Contributions subsequent to the measurement date	3,194,043	3,413,819	6,607,862
Total Deferred Outflows of Resources	<u>\$6,096,540</u>	<u>\$9,582,722</u>	<u>\$15,679,262</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$472,685	\$80,446	\$553,131
Net difference between projected and actual earnings on pension plan investments	5,149,467	1,538,300	6,687,767
Changes in employer proportionate share of net pension liability	65,611	0	65,611
Total Deferred Inflows of Resources	<u>\$5,687,763</u>	<u>\$1,618,746</u>	<u>\$7,306,509</u>

\$6,607,862 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	\$2,093,262	\$1,916,873	\$4,010,135
2020	(494,985)	1,512,440	1,017,455
2021	(2,267,552)	(80,869)	(2,348,421)
2022	(2,115,991)	123,409	(1,992,582)
2023	0	876,061	876,061
Thereafter	0	202,243	202,243
Total	<u>(\$2,785,266)</u>	<u>\$4,550,157</u>	<u>\$1,764,891</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 (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, 2017, 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, 2017, are presented below.

### OPERS Traditional Plan

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:



Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other investments	18.00%	5.26%
Total	100.00%	5.66%

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability: OPERS	\$38,006,142	\$23,985,948	\$8,473,330

***Changes between Measurement Date and Report Date*** There have been no pension plan amendments adopted or changes in assumptions that have impacted the actuarial valuation studies for the pension plan for the measurement date of December 31, 2018. This note could change between now and date of report date.

**ACTUARIAL ASSUMPTIONS – OPF**

OPF's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. 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, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric

\* levered 2x

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

**Discount Rate** The total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability: OPF	\$61,646,244	\$44,469,396	\$30,460,105

***Changes between Measurement Date and Report Date*** There have been no pension plan amendments adopted or changes in assumptions that have impacted the actuarial valuation studies for the pension plan for the measurement date of December 31, 2018.

***Social Security***

Several of the City's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The City contributed an amount equal to 6.2 percent of participants' gross salaries. The City has paid all contributions required through December 31, 2018.

## 10. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFITS PLANS

### NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

### PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

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

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

**Funding Policy** The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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 was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

#### PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

**Plan Description** The City contributes to the Ohio Police and Fire Pension Fund (OPF) 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. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OPF 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 OPF 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, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF website at [www.opf.org](http://www.opf.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 OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

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

health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Beginning January 1, 2019, OPF is changing 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 OPF 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 OPF was \$80,841 for 2018.

#### OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OPF	Total
Proportionate Share of the:			
Net OPEB Liability	\$16,881,811	\$41,052,442	\$57,934,253
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.15546000%	0.72455800%	
Prior Measurement Date	<u>0.15440890%</u>	<u>0.68687500%</u>	
Change in Proportionate Share	<u>0.00105110%</u>	<u>0.03768300%</u>	
OPEB Expense	\$1,481,240	\$3,436,408	\$4,917,648

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$13,151	\$0	\$13,151
Changes in assumptions	1,229,175	4,005,845	5,235,020
Changes in employer proportionate share of net OPEB liability	71,816	1,560,573	1,632,389
Contributions subsequent to the measurement date	<u>0</u>	<u>80,841</u>	<u>80,841</u>
Total Deferred Outflows of Resources	<u>\$1,314,142</u>	<u>\$5,647,259</u>	<u>\$6,961,401</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$207,051	\$207,051
Net difference between projected and actual earnings on OPEB plan investments	<u>1,257,582</u>	<u>270,225</u>	<u>1,527,807</u>
Total Deferred Inflows of Resources	<u>\$1,257,582</u>	<u>\$477,276</u>	<u>\$1,734,858</u>

\$80,841 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	\$313,900	\$715,977	\$1,029,877
2020	313,900	715,977	1,029,877
2021	(256,844)	715,977	459,133
2022	(314,396)	715,977	401,581
2023	0	783,533	783,533
Thereafter	0	1,441,701	1,441,701
Total	<u>\$56,560</u>	<u>\$5,089,142</u>	<u>\$5,145,702</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, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five year period ended December 31, 2015.

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

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
Real Estate Investment Trust	6.00%	5.91%
International Equities	22.00%	7.88%
Other investments	17.00%	5.39%
Total	100.00%	4.98%

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:



	<u>1% Decrease</u> (2.85%)	<u>Discount Rate</u> (3.85%)	<u>1% Increase</u> (4.85%)
City's proportionate share of the net OPEB liability:			
OPERS	\$22,428,214	\$16,881,811	\$12,394,826

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability			
OPERS	\$16,152,294	\$16,881,811	\$17,635,382

***Changes between Measurement Date and Report Date*** There have been no OPEB plan amendments adopted or changes in assumptions that have impacted the actuarial valuation studies for health care for the measurement date of December 31, 2018.

#### ACTUARIAL ASSUMPTIONS – OPF

OPF's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF'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, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric

\* levered 2x

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

**Discount Rate** The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OPF's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the Net OPEB Liability OPF	\$51,316,047	\$41,052,442	\$33,155,047

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

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

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

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability OPF	\$31,890,275	\$41,052,442	\$53,399,941

***Changes between Measurement Date and Report Date*** There have been no OPEB plan amendments adopted or changes in assumptions that have impacted the actuarial valuation studies for health care for the measurement date of December 31, 2018.

#### 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 2018 were \$292,612.

Significant commitments and encumbrances at December 31, 2018 included:  
Capital Projects Fund \$1,873,000

#### 12. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>General Obligation Bonds:</b>					
Court Facility Refunding, 1% - 4%	1,720,000		230,000	1,490,000	\$235,000
Court Facility premium	54,789		7,827	46,962	
Recreation & Parks Improvements 3% - 5%	8,045,000		595,000	7,450,000	625,000
Recreation & Parks premium	136,157		11,988	124,169	
Fire Station Improvements, 1% - 4%	13,745,000		650,000	13,095,000	665,000
Fire Station premium	175,967		10,351	165,616	
Total general obligation bonds	<u>23,876,913</u>	<u>0</u>	<u>1,505,166</u>	<u>22,371,747</u>	<u>1,525,000</u>
<b>Net Pension Liability:</b>					
OPERS	34,694,421		10,708,473	23,985,948	
OP&F	43,505,973	963,423		44,469,396	
Volunteer Firefighter	421,661		421,661	0	
Total net pension liability	<u>78,622,055</u>	<u>963,423</u>	<u>11,130,134</u>	<u>68,455,344</u>	
<b>Net OPEB Liability:</b>					
OPERS	15,595,837	1,285,973		16,881,810	
OP&F	32,604,412	8,448,030		41,052,442	
Total net OPEB liability	<u>48,200,249</u>	<u>9,734,003</u>	<u>0</u>	<u>57,934,252</u>	
<b>Other:</b>					
Accrued vacation and sick leave benefits	4,949,588	3,165,533	3,009,422	5,105,699	3,165,533
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	916,347		158,580	757,767	159,645
Total other	<u>5,865,935</u>	<u>3,165,533</u>	<u>3,168,002</u>	<u>5,863,466</u>	<u>3,325,178</u>
Total noncurrent liabilities	<u>\$156,565,152</u>	<u>\$13,862,959</u>	<u>\$15,803,302</u>	<u>\$154,624,809</u>	<u>\$4,850,178</u>

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 74% has been paid by the General Fund, 7% 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.

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, 2018, are as follows:

	General Obligation Bonds		Promissory Notes	
	Principal	Interest	Principal	Interest
2019	1,525,000	728,818	159,645	5,874
2020	1,560,000	685,818	160,738	4,780
2021	1,605,000	643,330	161,861	3,658
2022	1,650,000	599,505	163,013	2,505
2023	1,700,000	552,605	71,008	1,322
2024-2028	8,320,000	1,858,445	41,502	520
2029-2033	4,655,000	622,350		
2034	1,020,000	33,150		
	<u>\$22,035,000</u>	<u>\$5,724,021</u>	<u>\$757,767</u>	<u>\$18,659</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, 2018 the City had a legal debt margin for total debt of \$98,508,984 and a legal debt margin for unvoted debt of \$49,030,306.

### 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 \$3,180,855. 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. VOLUNTEER FIREFIGHTER PENSION PLAN TERMINATION

Previously, the City provided a pension plan for volunteer firefighters. On December 19, 2017, City Council voted to terminate the volunteer firefighter pension plan effective December 31, 2017. A determination was made to pay lump-sum distributions to OR purchase annuity contracts for the participants as of the termination date as a full plan settlement. As of the date of distribution, the volunteer firefighter fund held investments of \$1,850,764 and the City contributed \$606,316 in order to settle the actuarial current value of the pension obligations, which totaled \$2,457,080. As of December 31, 2018, all volunteer firefighter pension plan obligations have been discharged.

### 16. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 10 to the basic financial statements, and added required supplementary information which can be found following these notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 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. 75. The governmental activities and internal service at January 1, 2018 have been restated as follows:

	Governmental Activities	Internal Service
Net position as previously reported	\$199,148,479	\$4,189,018
Adjustments:		
Net OPEB Liability	(48,200,249)	(1,868,654)
Deferred Outflow - Payments Subsequent to Measurement Date	329,345	30,173
Restated Net Position January 1, 2018	<u>\$151,277,575</u>	<u>\$2,350,537</u>

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

50 **CITY OF KETTERING, OHIO****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO POLICE & FIRE PENSION FUND  
LAST FIVE FISCAL YEARS <sup>(1)</sup>**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.724558%	0.686875%	0.649478%	0.634806%	0.634806%
City's proportionate share of the net pension liability	44,469,396	43,505,973	41,781,375	32,885,567	30,917,014
City's covered payroll	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	286.95%	292.37%	301.70%	257.42%	242.50%
Plan fiduciary net position as a percentage of the total pension liability <sup>(2)</sup>	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 FIVE FISCAL YEARS <sup>(1)</sup>**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.152893%	0.152783%	0.154071%	0.155483%	0.155483%
City's proportionate share of the net pension liability	23,985,948	34,694,421	26,624,822	18,704,224	18,316,130
City's covered payroll	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	108.93%	162.58%	125.58%	92.16%	91.85%
Plan fiduciary net position as a percentage of the total pension liability <sup>(2)</sup>	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 and amounts presented as of the City's measurement date which is the prior fiscal year end.

(2) Information prior to 2015 is unavailable.

See accompanying notes to the required supplementary information.



**CITY OF KETTERING, OHIO****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE CITY'S CONTRIBUTIONS****OHIO POLICE & FIRE PENSION FUND****LAST TEN FISCAL YEARS**

	<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>	<u>2009</u>
Contractually required contribution	\$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	\$2,572,780
Contributions in relation to the contractually required contribution	<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>	<u>(2,572,780)</u>
Contribution deficiency (excess)	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
City's covered payroll	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	12,016,559
Contributions as a percentage of covered payroll	21.35%	21.61%	21.52%	21.36%	21.36%	21.36%	21.36%	21.38%	21.39%	21.41%

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	<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>	<u>2009</u>
Contractually required contribution	\$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	\$2,725,560
Contributions in relation to the contractually required contribution	<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>	<u>(2,725,560)</u>
Contribution deficiency (excess)	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
City's covered payroll	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	19,468,289
Contributions as a percentage of covered payroll	14.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.03%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

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


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


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	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.72455800%	0.68687500%
City's proportionate share of the net OPEB liability	41,052,442	32,604,412
City's covered payroll	15,497,341	14,880,253
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	264.90%	219.11%
Plan fiduciary net position as a percentage of the total OPEB liability <sup>(2)</sup>	14.13%	

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


---

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

See accompanying notes to the required supplementary information.

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


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**SCHEDULE OF THE CITY'S CONTRIBUTIONS TO POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)  
OHIO POLICE & FIRE PENSION FUND  
LAST THREE FISCAL YEARS <sup>(1)</sup>**


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

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**SCHEDULE OF THE CITY'S CONTRIBUTIONS TO POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS <sup>(1)</sup>**


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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$46,179,003	\$46,179,003	\$46,179,003	
Resources (inflows)				
Income taxes	49,500,000	49,500,000	47,663,176	(\$1,836,824)
Property taxes	5,802,000	5,827,000	5,827,058	58
Licenses and permits	578,000	709,000	730,259	21,259
Intergovernmental revenue	1,528,000	1,703,000	1,614,863	(88,137)
Charges for services	138,000	159,000	178,751	19,751
Fines and forfeits	1,245,000	1,243,000	1,190,764	(52,236)
Investment earnings	785,000	984,000	910,924	(73,076)
Special assessments	400,000	402,000	402,881	881
Refunds and reimbursements	1,500,000	2,050,000	2,314,249	264,249
Miscellaneous	40,000	156,000	43,531	(112,469)
Sale of city assets	30,000	1,618,000	1,745,701	127,701
Amounts available for appropriation	<u>107,725,003</u>	<u>110,530,003</u>	<u>108,801,160</u>	<u>(1,728,843)</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	154,900	154,900	137,446	17,454
Operating expenditures	85,308	85,152	69,295	15,857
Capital outlay				
Total mayor and council	<u>240,208</u>	<u>240,052</u>	<u>206,741</u>	<u>33,311</u>
Municipal court:				
Personal services	1,107,000	1,090,000	1,045,028	44,972
Operating expenditures	256,524	273,518	247,842	25,676
Capital outlay				
Total municipal court	<u>1,363,524</u>	<u>1,363,518</u>	<u>1,292,870</u>	<u>70,648</u>
Clerk of courts:				
Personal services	1,007,600	1,007,600	954,306	53,294
Operating expenditures	137,581	137,581	121,332	16,249
Capital outlay				
Total clerk of courts	<u>1,145,181</u>	<u>1,145,181</u>	<u>1,075,638</u>	<u>69,543</u>
Office of City Manager:				
Personal services	683,200	683,200	677,036	6,164
Operating expenditures	64,308	64,137	59,179	4,958
Capital outlay				
Total office of city manager	<u>747,508</u>	<u>747,337</u>	<u>736,215</u>	<u>11,122</u>
Law department:				
Personal services	907,000	904,000	857,973	46,027
Operating expenditures	180,900	183,900	146,175	37,725
Capital outlay				
Total law department	<u>1,087,900</u>	<u>1,087,900</u>	<u>1,004,148</u>	<u>83,752</u>
Finance department:				
Personal services	2,222,900	2,222,900	2,129,978	92,922
Operating expenditures	662,872	656,316	494,049	162,267
Capital outlay				
Total finance department	<u>2,885,772</u>	<u>2,879,216</u>	<u>2,624,027</u>	<u>255,189</u>
Administrative support:				
Personal services	737,600	737,600	713,710	23,890
Operating expenditures	329,817	334,948	200,342	134,606
Capital outlay				0
Total administrative support	<u>1,067,417</u>	<u>1,072,548</u>	<u>914,052</u>	<u>158,496</u>

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$816,900	\$816,900	\$816,261	\$639
Operating expenditures	458,200	571,770	380,224	191,546
Capital outlay				
Total human resources department	<u>1,275,100</u>	<u>1,388,670</u>	<u>1,196,485</u>	<u>192,185</u>
Planning and development:				
Personal services	2,229,500	2,229,500	2,130,425	99,075
Operating expenditures	438,102	489,972	408,467	81,505
Capital outlay				
Total planning and development	<u>2,667,602</u>	<u>2,719,472</u>	<u>2,538,892</u>	<u>180,580</u>
Economic development:				
Personal services	154,400	154,700	154,629	71
Operating expenditures	983,539	2,793,180	2,591,460	201,720
Capital outlay				
Total economic development	<u>1,137,939</u>	<u>2,947,880</u>	<u>2,746,089</u>	<u>201,791</u>
Miscellaneous:				
Operating expenditures	1,298,147	1,527,432	1,113,294	414,138
Total miscellaneous	<u>1,298,147</u>	<u>1,527,432</u>	<u>1,113,294</u>	<u>414,138</u>
Total general government	<u>14,916,298</u>	<u>17,119,206</u>	<u>15,448,451</u>	<u>1,670,755</u>
Police:				
Personal services	12,772,100	13,047,100	12,823,950	223,150
Operating expenditures	2,044,200	2,031,914	1,863,569	168,345
Capital outlay	172,000	183,500	149,370	34,130
Total police	<u>14,988,300</u>	<u>15,262,514</u>	<u>14,836,889</u>	<u>425,625</u>
Fire:				
Personal services	11,845,300	12,121,800	12,121,418	382
Operating expenditures	2,060,354	2,597,594	2,181,788	415,806
Capital outlay	1,620,839	980,839	317,708	663,131
Total fire	<u>15,526,493</u>	<u>15,700,233</u>	<u>14,620,914</u>	<u>1,079,319</u>
Public works:				
Engineering department:				
Personal services	2,067,900	2,067,900	1,977,377	90,523
Operating expenditures	530,172	522,710	439,135	83,575
Capital outlay	153,672	153,672	117,672	36,000
Total engineering department	<u>2,751,744</u>	<u>2,744,282</u>	<u>2,534,184</u>	<u>210,098</u>
Street lighting:				
Operating expenditures	500,000	500,000	446,926	53,074
Total street lighting	<u>500,000</u>	<u>500,000</u>	<u>446,926</u>	<u>53,074</u>
Total public works	<u>3,251,744</u>	<u>3,244,282</u>	<u>2,981,110</u>	<u>263,172</u>
Transfers to other funds	19,648,000	22,004,701	16,776,977	5,227,724
Total charges to appropriations	<u>68,330,835</u>	<u>73,330,936</u>	<u>64,664,341</u>	<u>8,666,595</u>
Fund balance, December 31	<u>\$39,394,168</u>	<u>\$37,199,067</u>	<u>\$44,136,819</u>	<u>\$6,937,752</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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$641,129	\$641,129	\$641,129	
Resources (inflows)				
Licenses and permits	11,000	14,000	21,110	\$7,110
Intergovernmental revenue	2,530,000	2,570,000	2,572,605	2,605
Refunds and reimbursements	236,000	217,000	235,077	18,077
Miscellaneous	5,000	13,000	13,064	64
Sale of city assets	75,000	15,000	12,835	(2,165)
Transfer from the general fund	4,005,000	4,511,000	3,984,000	(527,000)
Amounts available for appropriation	<u>7,503,129</u>	<u>7,981,129</u>	<u>7,479,820</u>	<u>(501,309)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	4,272,100	4,247,100	4,111,826	135,274
Operating expenditures	2,242,003	2,624,377	1,672,301	952,076
Capital outlay	839,100	839,100	713,242	125,858
Total charges to appropriations	<u>7,353,203</u>	<u>7,710,577</u>	<u>6,497,369</u>	<u>1,213,208</u>
Fund balance, December 31	<u>\$149,926</u>	<u>\$270,552</u>	<u>\$982,451</u>	<u>\$711,899</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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$151,471	\$151,471	\$151,471	
Resources (inflows)				
Intergovernmental revenue	31,000	33,500	27,120	(\$6,380)
Charges for services	3,598,000	3,562,000	3,561,545	(455)
Refunds and reimbursements	52,000	54,000	131,236	77,236
Miscellaneous	74,000	33,000	39,307	6,307
Sale of city assets			37,768	37,768
Transfer from the general fund	7,192,000	7,422,040	6,667,000	(755,040)
Amounts available for appropriation	11,098,471	11,256,011	10,615,447	(640,564)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	6,441,400	6,558,900	6,164,091	394,809
Operating expenditures	4,404,040	4,391,747	4,077,731	314,016
Capital outlay	165,000	277,540	141,963	135,577
Total charges to appropriations	11,010,440	11,228,187	10,383,785	844,402
Fund balance, December 31	\$88,031	\$27,824	\$231,662	\$203,838

See accompanying notes to the required supplementary information.

## 58 CITY OF KETTERING, OHIO

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,734,842	\$1,734,842	\$1,734,842	
Resources (inflows)				
Charges for services	5,130,000	3,894,000	3,932,787	\$38,787
Refunds and reimbursements			21,813	21,813
Miscellaneous	425,000	533,000	536,943	3,943
Amounts available for appropriation	<u>7,289,842</u>	<u>6,161,842</u>	<u>6,226,385</u>	<u>64,543</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	1,356,100	1,356,100	1,098,749	257,351
Operating expenditures	4,803,144	4,259,287	3,455,955	803,332
Capital Outlay		22,000	21,315	685
Total charges to appropriations	<u>6,159,244</u>	<u>5,637,387</u>	<u>4,576,019</u>	<u>1,061,368</u>
Fund balance, December 31	<u>\$1,130,598</u>	<u>\$524,455</u>	<u>\$1,650,366</u>	<u>\$1,125,911</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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,097,639	\$1,097,639	\$1,097,639	
Resources (inflows)				
Intergovernmental revenue	1,446,579	1,446,579	884,039	(\$562,540)
Investment earnings	1,000	1,000	5,568	4,568
Refunds and reimbursements			6,711	6,711
Miscellaneous	7,600	7,600	7,983	383
Sale of city assets	27,000	27,000	1,000	(26,000)
Transfer from the general fund				
Amounts available for appropriation	<u>2,579,818</u>	<u>2,579,818</u>	<u>2,002,940</u>	<u>(576,878)</u>
Charges to appropriations (outflows)				
General government	1,048,973	1,048,973	603,108	445,865
Capital improvements	<u>408,855</u>	<u>408,855</u>	<u>145,858</u>	<u>262,997</u>
Total charges to appropriations	<u>1,457,828</u>	<u>1,457,828</u>	<u>748,966</u>	<u>708,862</u>
Fund balance, December 31	<u>\$1,121,990</u>	<u>\$1,121,990</u>	<u>\$1,253,974</u>	<u>\$131,984</u>

See accompanying notes to the required supplementary information.

## 60 CITY OF KETTERING, OHIO

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$33,023	\$33,023	\$33,023	
Resources (inflows)				
Charges for services	375,000	375,000	371,601	(\$3,399)
Investment earnings		1,000	14,573	13,573
Refunds and reimbursements				0
Transfer from the general fund				
Amounts available for appropriation	<u>408,023</u>	<u>409,023</u>	<u>419,197</u>	<u>10,174</u>
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	24,000	24,000	19,171	4,829
Capital outlay				
Total fire	<u>24,000</u>	<u>24,000</u>	<u>19,171</u>	<u>4,829</u>
Capital Improvements				
Transfer to the capital projects fund	360,000	360,000	360,000	0
Total charges to appropriations	<u>384,000</u>	<u>384,000</u>	<u>379,171</u>	<u>4,829</u>
Fund balance, December 31	<u>\$24,023</u>	<u>\$25,023</u>	<u>\$40,026</u>	<u>\$15,003</u>

See accompanying notes to the required supplementary information.

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**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**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. PENSION & OPEB PLANS****OHIO POLICE AND FIRE PENSION FUND – PENSION**

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

*Changes in assumptions:*

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

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

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

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (TRADITIONAL PLAN) – PENSION

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

*Changes in assumptions:*

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

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

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

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

#### OHIO POLICE AND FIRE PENSION FUND – OPEB

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

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

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – OPEB

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

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

**FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET DECEMBER 31, 2018

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$99,978	\$442,660	\$198,517	\$53,300	\$2,788,338	\$3,582,793
Receivables:						
Property taxes			307,000			307,000
Accounts				652		652
Due from other governments	86,506		22,400	1,047	31,482	141,435
Prepaid expenditures					999	999
Total assets	<u>\$186,484</u>	<u>\$442,660</u>	<u>\$527,917</u>	<u>\$54,999</u>	<u>\$2,820,819</u>	<u>\$4,032,879</u>
<b>LIABILITIES</b>						
Accounts payable	\$255			\$5,133	\$44,948	\$50,336
Due to the General fund					991	991
Accrued payroll			\$188,308	1,600	2,956	192,864
Total liabilities	<u>255</u>	<u>0</u>	<u>188,308</u>	<u>6,733</u>	<u>48,895</u>	<u>244,191</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes			307,000			307,000
Grants and other taxes	72,900		22,400		2,022	97,322
Total deferred inflows of resources	<u>72,900</u>		<u>329,400</u>		<u>2,022</u>	<u>404,322</u>
<b>FUND BALANCES</b>						
Nonspendable: Prepaids					999	999
Restricted for:						
Public safety			10,209		369,962	380,171
Road construction / Public works	113,329					113,329
Leisure services					49,820	49,820
Municipal court activities					1,902,002	1,902,002
Committed to:						
Social services					7,404	7,404
Public safety					13,020	13,020
Leisure services		\$442,660			426,695	869,355
Other purposes				48,266		48,266
Total fund balances	<u>113,329</u>	<u>442,660</u>	<u>10,209</u>	<u>48,266</u>	<u>2,769,902</u>	<u>3,384,366</u>
Total liab, defer inflows & fund bals	<u>\$186,484</u>	<u>\$442,660</u>	<u>\$527,917</u>	<u>\$54,999</u>	<u>\$2,820,819</u>	<u>\$4,032,879</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, 2018

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes						
Intergovernmental revenue	\$171,000	\$175,122	\$4,122			
Charges for services				\$7,000	\$10,346	\$3,346
Fines and forfeits						
Investment earnings	1,000	2,644	1,644	4,000	7,789	3,789
Refunds and reimbursements						
Miscellaneous				3,000	3,900	900
Total revenues	<u>172,000</u>	<u>177,766</u>	<u>5,766</u>	<u>14,000</u>	<u>22,035</u>	<u>8,035</u>
<b>EXPENDITURES</b>						
Current:						
General government				20,000	10,638	9,362
Police						
Fire						
Public works	209,000	132,067	76,933			
Leisure services						
Capital improvements			0			
Total expenditures	<u>209,000</u>	<u>132,067</u>	<u>76,933</u>	<u>20,000</u>	<u>10,638</u>	<u>9,362</u>
Excess (deficiency) of revenues over expenditures	(37,000)	45,699	82,699	(6,000)	11,397	17,397
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	33,000	0	(33,000)			
Transfers out						
Sale of city assets						
Net change in fund balance	<u>(4,000)</u>	<u>45,699</u>	<u>49,699</u>	<u>(6,000)</u>	<u>11,397</u>	<u>17,397</u>
Fund balances--beginning	67,630	67,630		431,263	431,263	
Fund balances--ending	<u>\$63,630</u>	<u>\$113,329</u>	<u>\$49,699</u>	<u>\$425,263</u>	<u>\$442,660</u>	<u>\$17,397</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, 2018

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$307,000	\$307,038	\$38			
Intergovernmental revenue	45,000	44,783	(217)			
Charges for services				\$54,000	\$53,863	(\$137)
Fines and forfeits						
Investment earnings						
Refunds and reimbursements		2,392	2,392	21,000	22,025	1,025
Miscellaneous						
Total revenues	<u>352,000</u>	<u>354,213</u>	<u>2,213</u>	<u>75,000</u>	<u>75,888</u>	<u>888</u>
EXPENDITURES						
Current:						
General government				262,612	197,934	64,678
Police	1,737,900	1,688,048	49,852			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,737,900</u>	<u>1,688,048</u>	<u>49,852</u>	<u>262,612</u>	<u>197,934</u>	<u>64,678</u>
Excess (deficiency) of revenues over expenditures	(1,385,900)	(1,333,835)	52,065	(187,612)	(122,046)	65,566
OTHER FINANCING SOURCES (USES)						
Transfers in	1,388,000	1,334,000	(54,000)	177,000	139,000	(38,000)
Transfers out						
Sale of city assets						
Net change in fund balance	<u>2,100</u>	<u>165</u>	<u>(1,935)</u>	<u>(10,612)</u>	<u>16,954</u>	<u>27,566</u>
Fund balances--beginning	10,044	10,044		31,312	31,312	
Fund balances--ending	<u>\$12,144</u>	<u>\$10,209</u>	<u>(\$1,935)</u>	<u>\$20,700</u>	<u>\$48,266</u>	<u>\$27,566</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, 2018

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes				\$307,000	\$307,038	\$38
Intergovernmental revenue	\$347,504	\$262,871	(\$84,633)	563,504	482,776	(80,728)
Charges for services				61,000	64,209	3,209
Fines and forfeits	486,000	471,510	(14,490)	486,000	471,510	(14,490)
Investment earnings	5,000	11,355	6,355	10,000	21,788	11,788
Refunds and reimbursements	1,000	6,572	5,572	22,000	30,989	8,989
Miscellaneous	88,000	79,242	(8,758)	91,000	83,142	(7,858)
Total revenues	<u>927,504</u>	<u>831,550</u>	<u>(95,954)</u>	<u>1,540,504</u>	<u>1,461,452</u>	<u>(79,052)</u>
<b>EXPENDITURES</b>						
Current:						
General government	886,285	491,671	394,614	1,168,897	700,243	468,654
Police	378,948	171,887	207,061	2,116,848	1,859,935	256,913
Fire	19,356	16,493	2,863	19,356	16,493	2,863
Public works				209,000	132,067	76,933
Leisure services	67,607	35,350	32,257	67,607	35,350	32,257
Capital improvements	22,795	22,000	795	22,795	22,000	795
Total expenditures	<u>1,374,991</u>	<u>737,401</u>	<u>637,590</u>	<u>3,604,503</u>	<u>2,766,088</u>	<u>838,415</u>
Excess (deficiency) of revenues over expenditures	(447,487)	94,149	541,636	(2,063,999)	(1,304,636)	759,363
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	11,791	11,480	(311)	1,609,791	1,484,480	(125,311)
Transfers out						
Sale of city assets						
Net change in fund balance	(435,696)	105,629	541,325	(454,208)	179,844	634,052
Fund balances--beginning	2,664,273	2,664,273		3,204,522	3,204,522	
Fund balances--ending	<u>\$2,228,577</u>	<u>\$2,769,902</u>	<u>\$541,325</u>	<u>\$2,750,314</u>	<u>\$3,384,366</u>	<u>\$634,052</u>

DEBT SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$808,000	\$808,535	\$535
Intergovernmental revenue	118,000	117,927	(73)
Charges for services	1,125,000	1,114,802	(10,198)
Investment earnings	29,000	38,802	9,802
Refunds and reimbursements	40,000	40,000	
Total revenues	<u>2,120,000</u>	<u>2,120,066</u>	<u>66</u>
EXPENDITURES			
Current:			
General government	64,000	55,806	8,194
Debt service:			
Principal	1,633,580	1,633,580	
Interest	<u>779,607</u>	<u>779,606</u>	<u>1</u>
Total expenditures	<u>2,477,187</u>	<u>2,468,992</u>	<u>8,195</u>
Deficiency of revenues over expenditures	(357,187)	(348,926)	8,261
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>394,000</u>	<u>394,000</u>	
Net change in fund balance	<u>36,813</u>	<u>45,074</u>	<u>8,261</u>
Fund balances--beginning	<u>1,024,676</u>	<u>1,024,676</u>	
Fund balances--ending	<u><u>\$1,061,489</u></u>	<u><u>\$1,069,750</u></u>	<u><u>\$8,261</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes			
Payments in lieu of taxes	\$367,000	\$326,434	(\$40,566)
Intergovernmental revenue	767,000	944,479	177,479
Investment earnings	438,000	548,344	110,344
Special assessments	737,000	738,319	1,319
Refunds and reimbursements	107,000	73,043	(33,957)
Miscellaneous			
Total revenues	<u>2,416,000</u>	<u>2,630,619</u>	<u>214,619</u>
<b>EXPENDITURES</b>			
Capital improvements	<u>17,742,249</u>	<u>14,108,939</u>	<u>3,633,310</u>
Total expenditures	<u>17,742,249</u>	<u>14,108,939</u>	<u>3,633,310</u>
Deficiency of revenues over expenditures	(15,326,249)	(11,478,320)	3,847,929
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	8,427,870	4,607,497	(3,820,373)
Sale of City Assets			
Net change in fund balance	<u>(6,898,379)</u>	<u>(6,870,823)</u>	<u>27,556</u>
Fund balances--beginning	<u>35,927,245</u>	<u>35,927,245</u>	
Fund balances--ending	<u>\$29,028,866</u>	<u>\$29,056,422</u>	<u>\$27,556</u>

CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2018

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$282,725	\$208,377	\$74,348
Street construction	6,313,358	5,400,980	912,378
Drainage	25,000	22,665	2,335
Parks and recreation	1,891,719	1,159,356	732,363
Tree planting and landscaping	354,867	194,758	160,109
Other	8,874,580	7,122,803	1,751,777
Total capital projects fund	<u>\$17,742,249</u>	<u>\$14,108,939</u>	<u>\$3,633,310</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 DECEMBER 31, 2018

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current Assets:			
Pooled cash and investments	\$1,223,105	\$6,994,290	\$8,217,395
Accounts receivable	1,498		1,498
Prepaid expenses	19,143		19,143
Inventory	328,266		328,266
Total current assets	<u>1,572,012</u>	<u>6,994,290</u>	<u>8,566,302</u>
Noncurrent Assets:			
Capital assets:			
Buildings and improvements	757,936		757,936
Machinery and equipment	2,753,838		2,753,838
Less: Accumulated depreciation	<u>(2,603,281)</u>		<u>(2,603,281)</u>
Total noncurrent assets	<u>908,493</u>		<u>908,493</u>
Total assets	<u>2,480,505</u>	<u>6,994,290</u>	<u>9,474,795</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	888,105		888,105
Total deferred outflows	<u>888,105</u>		<u>888,105</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	320,202	12,934	333,136
Accrued payroll	98,289		98,289
Accrued health claims		476,937	476,937
Total current liabilities	<u>418,491</u>	<u>489,871</u>	<u>908,362</u>
Noncurrent liabilities:			
Accrued vacation and sick benefits due within 1 year	248,615		248,615
Accrued vacation and sick benefits due in more than 1 year	152,377		152,377
Net pension liability	4,897,642		4,897,642
Total noncurrent liabilities	<u>5,298,634</u>		<u>5,298,634</u>
Total liabilities	<u>5,717,125</u>	<u>489,871</u>	<u>6,206,996</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	832,339		832,339
Total deferred inflows	<u>832,339</u>		<u>832,339</u>
<b>NET POSITION</b>			
Net investment in capital assets	908,492		908,492
Unrestricted	<u>(4,089,347)</u>	<u>6,504,419</u>	<u>2,415,072</u>
Total net position	<u><u>(\$3,180,855)</u></u>	<u><u>\$6,504,419</u></u>	<u><u>\$3,323,564</u></u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Administrative Operations	Health Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$6,814,796	\$7,231,855	\$14,046,651
Total operating revenues	<u>6,814,796</u>	<u>7,231,855</u>	<u>14,046,651</u>
<b>OPERATING EXPENSES</b>			
Personal services	4,224,680		4,224,680
Repairs and maintenance	1,376,150		1,376,150
Contractual services	684,098	6,117,043	6,801,141
Other materials and expenses	512,502		512,502
Depreciation	292,700		292,700
Total operating expenses	<u>7,090,130</u>	<u>6,117,043</u>	<u>13,207,173</u>
Operating income (loss)	<u>(275,334)</u>	<u>1,114,812</u>	<u>839,478</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	21,542	112,007	133,549
Change in net position	(253,792)	1,226,819	973,027
Total net position--beginning as restated (Note 16)	<u>(2,927,063)</u>	<u>5,277,600</u>	<u>2,350,537</u>
Total net position--ending	<u><u>(\$3,180,855)</u></u>	<u><u>\$6,504,419</u></u>	<u><u>\$3,323,564</u></u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$6,806,378	\$7,283,367	\$14,089,745
Cash paid to suppliers for goods or services	(1,962,947)	(6,086,522)	(8,049,469)
Cash paid to employees for services	(4,260,051)		(4,260,051)
Net cash provided (used) by operating activities	<u>583,380</u>	<u>1,196,845</u>	<u>1,780,225</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(330,551)		(330,551)
Sale of capital assets	8,373		8,373
Net cash used by capital and related financing activities	<u>(322,178)</u>		<u>(322,178)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	21,542	112,006	133,548
Net cash provided by investing activities	<u>21,542</u>	<u>112,006</u>	<u>133,548</u>
Net increase (decrease) in cash	282,744	1,308,851	1,591,595
Cash at beginning of year	940,361	5,685,439	6,625,800
Cash at end of year	<u>\$1,223,105</u>	<u>\$6,994,290</u>	<u>\$8,217,395</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	(\$275,334)	\$1,114,812	\$839,478
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	292,700		292,700
Increase (decrease) in net pension and OPEB liability	(1,097,835)		(1,097,835)
(Increase) decrease in deferred outflows - pension and OPEB	738,942		738,942
Increase (decrease) in deferred inflows - pension and OPEB	787,240		787,240
(Increase) decrease in receivables	(44)	51,512	51,468
(Increase) decrease in inventories	(39,369)		(39,369)
Increase (decrease) in accounts payable	198,350	1,603	199,953
Increase (decrease) in accrued health claims		28,918	28,918
Net (increase) decrease in other operating net position	<u>(21,270)</u>		<u>(21,270)</u>
Net cash provided (used) by operating activities	<u>\$583,380</u>	<u>\$1,196,845</u>	<u>\$1,780,225</u>

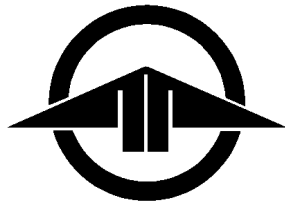
**AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31 2017	Additions	Deductions	Balance December 31 2018
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$611,760	\$12,933,133	\$13,155,749	\$389,144
LIABILITIES - Withholdings payable	\$611,760	\$12,933,133	\$13,155,749	\$389,144
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$242,602	\$3,145,918	\$3,162,237	\$226,283
LIABILITIES - Undistributed moneys	\$242,602	\$3,145,918	\$3,162,237	\$226,283
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$25,347	\$60,286	\$54,235	\$31,398
LIABILITIES				
Accounts payable	\$8,701	\$54,184	\$53,937	\$8,948
Unclaimed moneys	16,646	6,102	298	22,450
Total liabilities	\$25,347	\$60,286	\$54,235	\$31,398
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$637,107	\$12,993,419	\$13,209,984	\$420,542
Investments with fiscal agent	242,602	3,145,918	3,162,237	226,283
Total assets	\$879,709	\$16,139,337	\$16,372,221	\$646,825
LIABILITIES				
Accounts payable	\$8,701	\$54,184	\$53,937	\$8,948
Withholdings payable	611,760	12,933,133	13,155,749	389,144
Undistributed moneys	242,602	3,145,918	3,162,237	226,283
Unclaimed moneys	16,646	6,102	298	22,450
Total liabilities	\$879,709	\$16,139,337	\$16,372,221	\$646,825



**DEBT SCHEDULE  
DECEMBER 31, 2018**

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2019	
						Principal	Interest
General Obligation Bonds:							
Court facility refunding	2/4/2015	1.0-4.0	12/1/2024	\$2,215,000	\$1,490,000	\$235,000	\$35,100
Court facility refunding premium					46,962		
Recreation & parks improvement	5/28/2009	3.0-5.0	12/1/2028	12,300,000	7,450,000	625,000	302,768
Recreation & parks improv premium					124,170		
Fire station improvement	2/4/2015	1.0-4.0	12/1/2034	15,500,000	13,095,000	665,000	390,950
Fire station improvement premium					165,615		
Total general obligation bonds					<u>22,371,747</u>	<u>1,525,000</u>	<u>728,818</u>
Promissory Notes:							
Ohio public works commission:							
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	304,144	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	157,548	29,662	4,506
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	154,372	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	141,703	19,643	1,368
Total promissory notes					<u>757,767</u>	<u>159,646</u>	<u>5,874</u>
Total					<u>\$23,129,514</u>	<u>\$1,684,646</u>	<u>\$734,692</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.

<b><u>Category</u></b>	<b><u>Schedule #s</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1, 2, 3 &amp; 4</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax.	<b>5 &amp; 6</b>
<b>Debt Capacity</b> 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.	<b>7 &amp; 8</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>9 &amp; 10</b>
<b>Operating Information</b> 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.	<b>11, 12 &amp; 13</b>

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

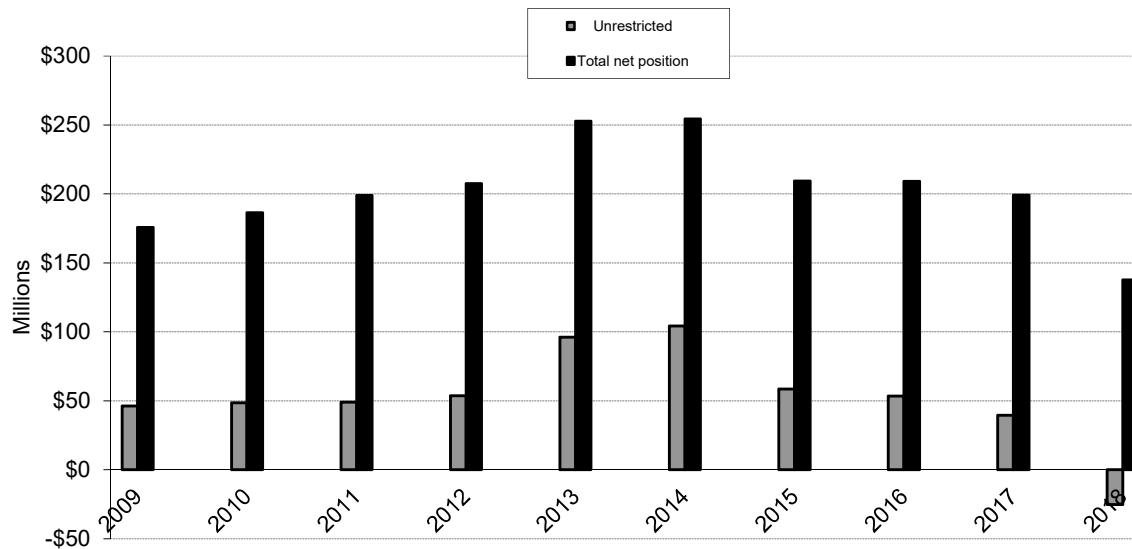
NET POSITION BY CATEGORY

LAST TEN YEARS (accrual basis of accounting)

	Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$105,196,955	\$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
Restricted for:										
Debt service	715,127	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750
Social services	1,691,954	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
Public safety	8,422,177	9,189,154	10,725,180	11,231,818	11,346,847	770,562	516,345	432,816	316,753	380,171
Leisure services	12,064,953	86,165	16,073	35,726	46,416	32,138	54,890	52,356	57,939	49,820
Municipal court activities	1,236,513	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
Other purposes	171,133	204,394	158,709	98,742	149,788	152,478	209,169	96,706	139,230	186,229
Unrestricted	46,312,490	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)
Total net position	<u>\$175,811,302</u>	<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>

**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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
General government	\$13,175,646	\$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
Police	13,658,265	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
Fire	9,968,087	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
Public works	12,901,084	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
Leisure services	12,836,109	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
Interest on long term debt	504,262	671,334	635,755	585,092	547,172	526,129	928,772	840,510	799,738	745,258
<b>Total expenses</b>	<b>63,043,453</b>	<b>64,614,694</b>	<b>66,569,325</b>	<b>68,871,186</b>	<b>69,627,770</b>	<b>72,338,567</b>	<b>74,670,977</b>	<b>80,568,150</b>	<b>90,436,406</b>	<b>93,649,905</b>
<b>Program Revenues</b>										
Charges for services:										
General government	2,443,428	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
Fire	1,430,458	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
Leisure services	6,001,520	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
Other activities	63,138	42,761	40,415	48,366	57,993	47,542	38,660	37,977	47,917	49,219
Operating grants and contributions	1,484,287	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
Capital grants and contributions:										
Public works	3,692,950	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
Other activities	163,106	1,286,315	584,159	771,398	271,331	72,935	26,296	20,815	0	0
<b>Total program revenues</b>	<b>15,278,887</b>	<b>17,893,861</b>	<b>21,533,822</b>	<b>18,124,291</b>	<b>18,165,171</b>	<b>15,954,488</b>	<b>15,349,411</b>	<b>18,128,477</b>	<b>16,320,324</b>	<b>14,981,229</b>
<b>Net (Expense)/Revenue <sup>1</sup></b>										
General government	(9,710,841)	(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)
Police	(13,526,758)	(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)
Fire	(8,537,529)	(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)
Public works	(9,200,350)	(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)
Leisure services	(6,284,826)	(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)
Interest on long term debt	(504,262)	(671,334)	(635,755)	(585,092)	(547,172)	(526,129)	(928,772)	(840,510)	(799,738)	(745,258)
<b>Total net expense</b>	<b>(47,764,566)</b>	<b>(46,720,833)</b>	<b>(45,035,503)</b>	<b>(50,746,895)</b>	<b>(51,462,599)</b>	<b>(56,384,079)</b>	<b>(59,321,566)</b>	<b>(62,439,673)</b>	<b>(74,116,082)</b>	<b>(78,668,676)</b>
<b>General Revenues</b>										
Taxes										
Income taxes	34,846,179	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
Property taxes, levied for general purposes	8,094,861	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
Property taxes, levied for debt service	1,252,025	1,276,080	975,771	897,462	883,105	763,381	735,848	747,707	744,124	808,535
Other taxes	7,464,283	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
Investment earnings	2,963,720	1,173,152	629,983	791,959	305,672	563,252	651,249	1,038,317	1,022,835	1,539,998
Refunds & reimbursements	1,484,720	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
Miscellaneous	221,701	179,150	229,648	186,924	135,922	1,266,903	1,576,009	1,515,009	1,937,628	3,181,128
<b>Total general revenues</b>	<b>56,327,489</b>	<b>57,245,090</b>	<b>57,624,461</b>	<b>59,555,026</b>	<b>96,686,925</b>	<b>58,040,818</b>	<b>58,840,620</b>	<b>62,264,079</b>	<b>64,120,965</b>	<b>65,008,016</b>
<b>Change in Net Position</b>	<b>\$8,562,923</b>	<b>\$10,524,257</b>	<b>\$12,588,958</b>	<b>\$8,808,131</b>	<b>\$45,224,326</b>	<b>\$1,656,739</b>	<b>(\$480,946)</b>	<b>(\$175,594)</b>	<b>(\$9,995,117)</b>	<b>(\$13,660,660)</b>

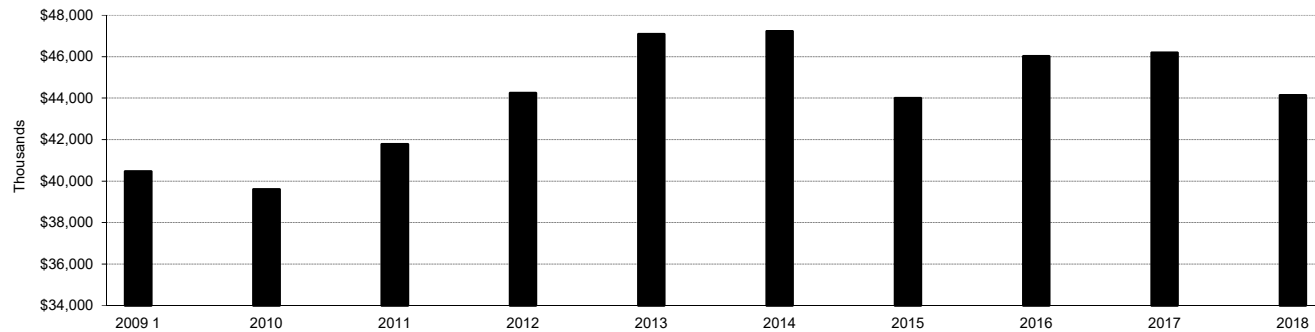
(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers 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									
	2009 <sup>1</sup>	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved										
Unreserved										
Nonspendable	\$20,601	\$24,580	\$23,113	\$16,988	\$18,449	\$256,066	\$1,458,395	\$3,018,822	\$6,685,095	\$5,827,996
Committed	851,917	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
Assigned	237,019	104,717					5,752,730	5,056,600	5,689,530	6,492,300
Unassigned	39,347,709	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
Total general fund	<u>\$40,457,246</u>	<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>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue funds										
Debt service fund										
Capital project fund										
Nonspendable, reported in:										
Special revenue funds	\$205,878	\$145,322	\$149,325	\$147,470	\$205,180	\$493,470	\$260,042	\$304,729	\$239,859	\$197,556
Restricted, reported in:										
Special revenue funds	10,998,459	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
Debt service fund	715,127	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750
Capital project fund	12,012,909	6,834,838					5,519,305	59,300		
Committed, reported in:										
Special revenue funds	1,802,782	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
Capital project fund	4,101,197	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
Unassigned, reported in:										
Special revenue funds	(427,369)	(379,052)	(501,760)		(242,312)	(111,184)				
Total all other governmental funds	<u>\$29,408,983</u>	<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>

General Fund Balance

(1) Fund balance classifications changed in 2009 due to the adoption of GASB Statement No. 54.

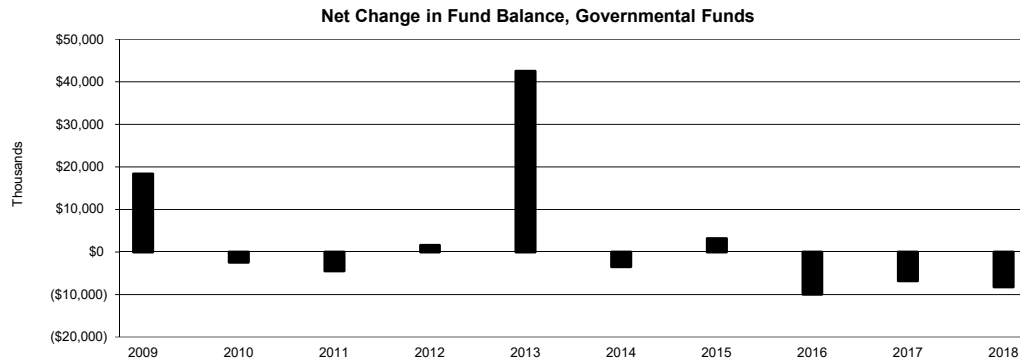


**CITY OF KETTERING, OHIO**

**SCHEDULE 4**

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>REVENUES</b>										
Income taxes	\$35,321,466	\$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
Property taxes	9,345,887	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
Licenses and permits	528,823	491,322	459,696	525,190	538,267	524,535	716,026	639,347	605,589	751,369
Intergovernmental revenue	11,890,457	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
Charges for services	7,663,257	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
Fines and forfeits	1,780,070	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
Investment earnings	2,963,721	1,173,151	629,984	791,959	305,673	563,252	651,249	1,038,318	1,022,836	1,539,999
Special assessments	1,006,879	1,019,237	924,751	965,122	961,250	934,463	1,015,407	1,080,565	1,220,260	1,141,200
Refunds and reimbursements	2,101,691	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
Miscellaneous	555,813	560,693	523,814	754,921	737,739	812,423	1,146,765	1,056,410	1,123,573	1,049,927
<b>Total revenues</b>	<b>73,158,064</b>	<b>76,198,657</b>	<b>81,274,031</b>	<b>75,010,450</b>	<b>113,511,143</b>	<b>73,500,438</b>	<b>74,354,883</b>	<b>79,896,462</b>	<b>80,875,777</b>	<b>79,471,198</b>
<b>EXPENDITURES</b>										
<b>Current:</b>										
General government	12,153,096	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
Police	13,641,191	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
Fire	9,564,579	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
Public works	8,514,496	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
Leisure services	12,084,992	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
Capital improvements	10,221,062	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
<b>Debt service:</b>										
Principal	775,290	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
Interest	463,231	672,521	637,150	599,394	559,885	539,555	824,584	874,380	834,945	779,606
<b>Total expenditures</b>	<b>67,417,937</b>	<b>78,724,199</b>	<b>84,689,136</b>	<b>74,080,899</b>	<b>71,338,897</b>	<b>77,181,204</b>	<b>87,172,524</b>	<b>90,324,915</b>	<b>88,459,872</b>	<b>89,456,693</b>
Excess (deficiency) of revenues over expenditures	5,740,127	(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)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	15,445,122	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
Transfers out	(15,445,122)	(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)
General obligation debt issuance	12,539,751						15,734,713			
Sale of city assets	69,246	126,073	120,426	597,935	329,264	224,538	227,473	478,289	788,418	1,797,781
Net change in fund balance	<u>\$18,349,124</u>	<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>
Debt service as a percentage of noncapital expenditures	2.16%	2.85%	2.79%	2.72%	2.25%	2.18%	3.31%	3.42%	3.23%	3.13%

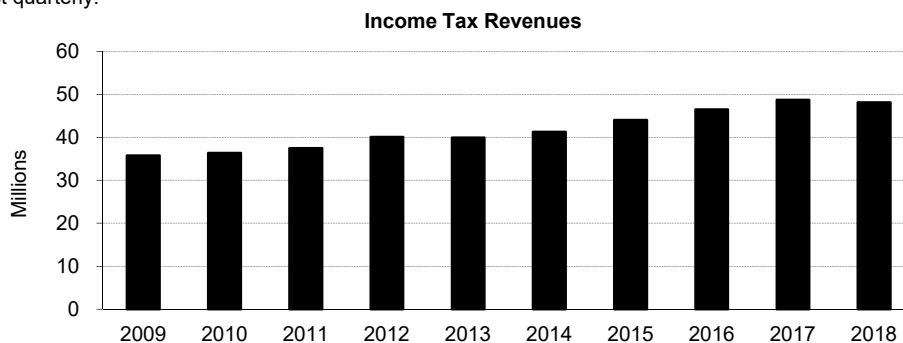


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total Individual	Corporate	Partnership	Total	Income Tax Rate
	Withholding	Non-withholding					
2009	28,511,501	3,837,474	32,348,975	1,782,656	1,616,788	35,748,419	2.25%
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%

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)**

	2018					
	Individual		Total Individual	Corporate	Partnership	Total
	Withholding	Non-withholding				
Top Ten	17,009,945	219,141	17,229,086	4,041,246	975,768	22,246,100
All Others	20,218,842	4,019,279	24,238,121	1,139,841	525,826	25,903,788
Top Ten % of Total	45.7%	5.2%	41.5%	78.0%	65.0%	46.2%

	2008					
	Individual		Total Individual	Corporate	Partnership	Total
	Withholding	Non-withholding				
Top Ten	12,448,038	295,927	12,743,965	1,851,925	763,444	15,359,334
All Others	17,883,978	3,771,314	21,655,292	988,466	304,809	22,948,567
Top Ten % of Total	41.0%	7.3%	37.0%	65.2%	71.5%	40.1%

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>2009</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>
General Obligation Bonds	\$15,689,899	\$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
Percent of estimated actual property value	0.44%	0.42%	0.41%	0.42%	0.40%	0.38%	0.87%	0.84%	0.79%	0.69%
Per capita	273	266	253	239	227	215	469	451	425	398
Special Assessment Bonds	395,101	271,783	140,265							
Promissory Notes	2,272,048	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
Total Gross Indebtedness	18,357,048	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
Percentage of personal income	1.02%	0.93%	0.85%	0.77%	0.73%	0.67%	1.33%	1.21%	1.10%	1.03%
Per capita	319	309	290	270	255	240	491	470	441	412
Less debt outside limitations:										
Special Assessment Debt	395,101	271,783	140,265							
Promissory Notes	2,272,048	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
Less debt service fund balance	715,127	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750
Net debt within limitations for both Voted and Unvoted debt	14,974,772	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
Debt limitation for both Voted and Unvoted debt 10.5% of assessed valuation	129,749,975	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
Legal debt margin for Voted and Unvoted debt	\$114,775,203	\$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
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	11.54%	10.79%	10.38%	10.70%	10.12%	9.54%	22.62%	21.79%	20.46%	17.78%
Net debt within limitations for both Voted and Unvoted limitation	\$14,974,772	\$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
Less voted debt	12,075,000	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
Net debt within limitations for Unvoted debt	2,899,772	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
Debt limitation for Unvoted debt 5.5% of assessed valuation	67,964,273	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
Legal debt margin for Unvoted debt	\$65,064,501	\$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
Net debt within limitations for Unvoted debt as a percentage of debt limit	4.27%	3.69%	3.23%	3.05%	2.80%	2.40%	27.49%	26.57%	25.07%	21.87%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2018

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Kettering <sup>1</sup>	Amount Applicable to City of Kettering
City of Kettering	\$23,129,514	100.0%	\$23,129,514
Overlapping debt:			
Kettering City School District	59,660,000	90.9%	54,230,940
Montgomery County	14,795,000	12.0%	1,775,400
Beavercreek Local School District	73,645,000	0.8%	589,160
Total overlapping debt	148,100,000		56,595,500
Total direct and overlapping debt	\$171,229,514		\$79,725,014

Source: Individual jurisdictions.

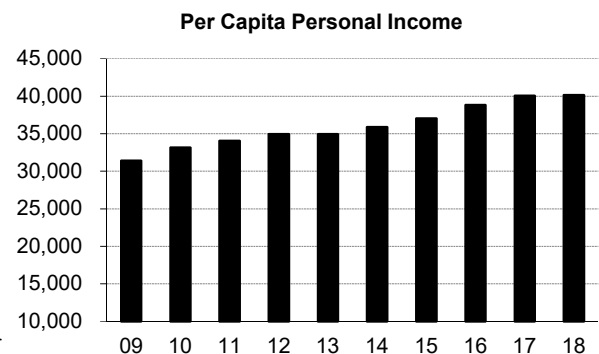
(1) The percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value.

Individual jurisdictions with immaterial amounts of overlapping debt are excluded from this table.

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

Year	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per capita Personal Income <sup>1,2</sup>	Unemployment Rate <sup>3</sup>	Avg Sale Price for a Single Family Home <sup>4</sup>	Total Assessed Property Value <sup>5</sup>	Estimated Actual Property Value <sup>5</sup>
2009	57,502	1,803,685,371	31,367	9.8%	121,340	1,235,714,050	3,567,340,682
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

- (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	2018		Employer	2008	
	Employees	% of Total City Employment		Employees	% of Total City Employment
Kettering Medical Center	3,570	12.61%	Kettering Medical Center	3,100	10.76%
Synchrony Financial	2,000	7.07%	GE Money <sup>2</sup>	1,700	5.90%
Reynolds & Reynolds Company	1,350	4.77%	Reynolds & Reynolds Company	1,500	5.21%
Kettering City Schools	1,032	3.65%	Kettering City Schools	1,055	3.66%
Mast Global Digital <sup>1</sup>	1,000	3.53%	Intimate Brands Inc <sup>1</sup>	1,000	3.47%
City of Kettering	572	2.02%	City of Kettering	900	3.13%
Meijer Inc.	550	1.94%	Kodak Versamark	700	2.43%
Tenneco	522	1.84%	Meijer Inc.	550	1.91%
Spectrum	500	1.77%	Tenneco	300	1.04%
<b>Total</b>	<b>11,096</b>	<b>39.21%</b>	<b>Total</b>	<b>10,805</b>	<b>37.51%</b>

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

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

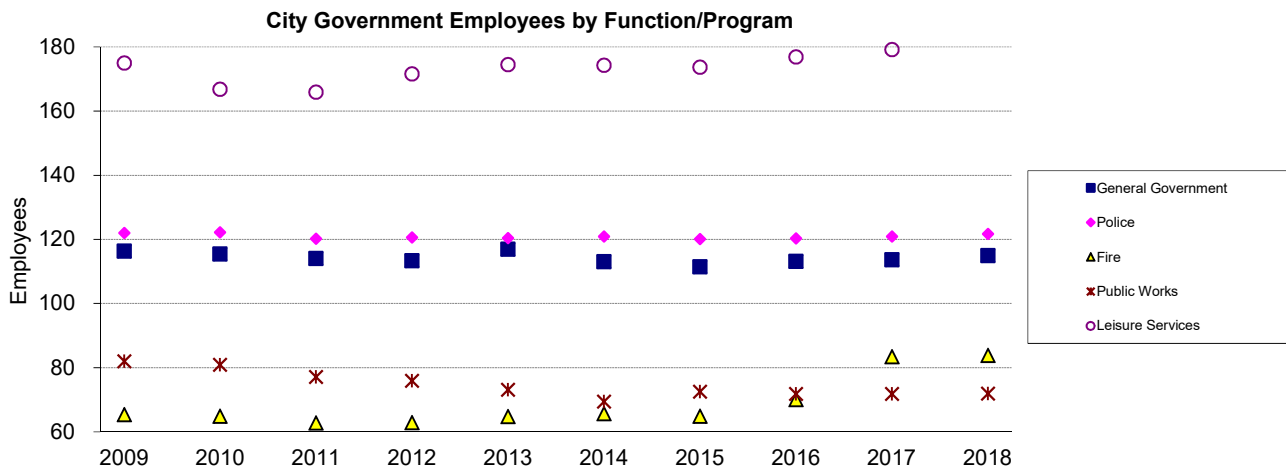
(2) GE Money is now Synchrony Financial

SCHEDULE 11

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

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	116.3	115.4	114.0	113.3	116.9	113.0	111.4	113.1	113.6	114.9
Police	122.0	122.2	120.2	120.6	120.4	120.9	120.1	120.3	120.9	121.7
Fire	65.3	64.8	62.7	62.9	64.7	65.7	64.8	70.0	83.4	83.7
Public Works	82.0	80.9	77.1	75.9	73.2	69.4	72.5	71.8	71.9	72.0
Leisure Services	175.0	166.8	165.9	171.5	174.5	174.3	173.7	176.9	179.1	180.1
<b>Total</b>	<b>560.6</b>	<b>550.3</b>	<b>539.8</b>	<b>544.2</b>	<b>549.6</b>	<b>543.2</b>	<b>542.5</b>	<b>552.1</b>	<b>568.9</b>	<b>572.4</b>

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>2009</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>
General Government										
Positions filled <sup>1</sup>	10	7	14	21	26	24	38	38	36	22
Permits issued <sup>2</sup>	2,467	2,857	2,773	2,520	2,705	3,249	2,679	3,180	3,975	3,304
Inspections performed <sup>2</sup>	6,254	7,101	5,933	6,100	6,118	6,115	6,260	7,024	8,424	8,374
CDBG loan applications <sup>3</sup>	53	60	44	60	36	51	75	62	58	33
Payroll checks processed <sup>4</sup>	20,955	20,873	20,629	20,873	20,712	21,287	22,310	21,350	21,446	21,212
Purchase orders issued <sup>5</sup>	2,166	1,978	2,158	2,000	2,051	2,030	1,984	1,880	2,156	1,943
Ordinances & resolutions <sup>6</sup>	236	198	175	201	162	172	185	182	210	178
Court cases <sup>7</sup>	20,657	19,903	20,049	18,640	17,630	16,710	14,970	15,739	15,499	14,338
Police										
Criminal arrests <sup>8</sup>	2,710	2,813	3,171	3,400	3,201	3,059	3,299	4,059	4,414	3,905
Calls for service <sup>9</sup>	62,172	61,684	67,331	66,441	64,962	60,686	61,085	68,614	73,752	60,348
Fire										
Fire alarms <sup>10</sup>	1,599	1,603	1,960	1,786	1,990	1,664	1,851	1,719	1,816	1,874
Medic alarms <sup>10</sup>	5,485	5,600	5,557	5,565	5,490	6,192	6,596	6,925	7,109	7,096
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	10	11	14	9	10	10	9	18	18	14
Truckloads of leaves picked-up <sup>12</sup>	1,858	1,623	1,388	1,298	1,540	1,660	1,525	1,358	1,166	1,730
Tons of snow melting salt used <sup>12</sup>	3,368	5,917	4,708	1,603	5,529	5,397	3,808	3,655	1,222	5,225
Leisure Services										
Recreation complex attendance <sup>13</sup>	1,110,815	1,168,708	981,121	1,046,817	1,009,534	927,240	887,967	835,631	787,307	823,675
Fraze Pavilion tickets sold <sup>13</sup>	87,969	82,523	92,224	90,343	97,975	97,958	99,462	92,317	77,393	74,358

(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

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

<u>Function/program</u>	<u>2009</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>
General Government										
Square footage occupied <sup>1</sup>	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933
Police										
Stations <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
Square footage of building <sup>1</sup>	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations <sup>1</sup>	7	7	7	7	6	6	5	5	5	5
Public Works										
Miles of roads <sup>2</sup>	246	246	246	247	248	248	248	248	248	248
Miles of storm sewer/channel <sup>2</sup>	175	175	175	175	175	175	176	176	176	176
Leisure Services										
Number of parks <sup>3</sup>	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) <sup>3</sup>	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft <sup>1</sup>	153,512	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