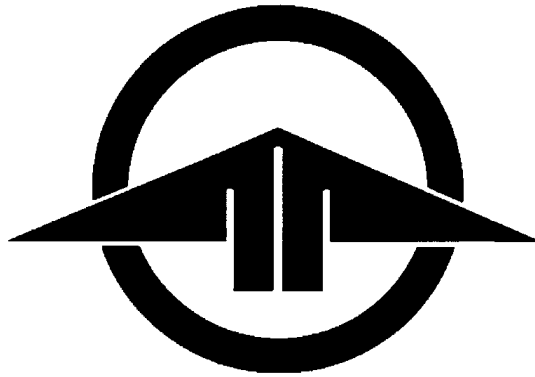


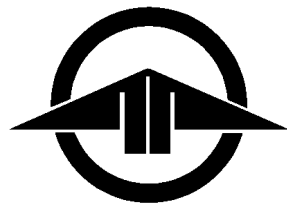
CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2020



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



CITY OF KETTERING

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FOR THE YEAR ENDED DECEMBER 31, 2020****TABLE OF CONTENTS**

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INTRODUCTORY SECTION



March 23, 2021

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, 2020, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

HISTORY AND BACKGROUND

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

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

members elected on a non-partisan basis for a term of four years. Kettering is known as a leader in many areas of municipal government, including financial reporting, fire and EMS services, 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. Our most recent citizen survey showed that 97% of residents are satisfied with Kettering as a place to live.

ECONOMIC CONDITION AND OUTLOOK

The City of Kettering structures its operations and decision-making in a manner that emphasizes economic stability, even during uncertain times. For example, the City implemented mandatory filing of municipal income tax for all residents ages eighteen and older effective for tax years beginning January 1, 2012. This move has resulted in the establishment of a more accurate tax base allowing for efficient follow up and improved delinquency collections for our largest source of general fund revenue. Total 2020 income tax revenue increased slightly (0.4%) despite the pandemic. Over the past ten years, income tax revenues have grown an average of 3.6% annually. Future years' income tax receipts are directly related to employees working within the City's boundaries. The City continues to focus the efforts of our Economic Development Department on attracting new employers with the potential for longevity and growth.

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

Medical Center (KMC) the flagship facility of the Kettering Health Network (KHN) and Reynolds & Reynolds. KMC employs more than 3,500. KMC completed construction on a state of the art command center in the Kettering Business Park in late 2018 and opened operations in early 2019. The facility handles all scheduling and patient management for the entire health network and could eventually house up to 300 employees. In addition, KHN broke ground in August 2020 on East Kettering Health Center, a \$5.6 million medical office building that will focus on senior care and house more than 30 jobs. 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. As a direct result of the COVID-19 pandemic, the City saw the departure of Synchrony Financial. The company opted to end its lease at the Kettering Business Park after moving the majority of employees to work from home status during the stay at home orders from the State of Ohio. The company had 1,900 employees at the Kettering location and vacated the building in early September. The company's departure had an immediate impact on employer-withheld income taxes. However, the City's Economic Development Manager is currently working on new employer projects that will begin to replace the loss of Synchrony in future years.

The City's success in adding to our tax base is evident in a number of projects. After completing the purchase of nearly 300 acres of unimproved land from the Miami Valley Research Foundation at the end of 2017, the City is working to market the land remaining for development and work with existing tenants to explore expansion opportunities. Community Tissue Services (CTS) continued construction on a 132,000 square foot expansion at its Miami Valley Research Park facility. This expansion will more than double the current footprint allowing for additional processing capabilities, marketing, distribution and supply chain management. The completed project in 2021 will create an additional 200 jobs at the Center for Tissue Innovation and Research. Life Connection of Ohio (LCO) purchased 9 acres also at the Miami Valley Research Park for a new headquarter facility. LCO is a non-profit

organization that has promoted and facilitated organ donation for more than 30 years. The expansion will more than triple their current square footage, allowing for a larger workforce which is expected to nearly double in 5 years. The new location also allows LCO to work in close proximity with more businesses in the industry such as CTS. Tenneco is one of the leading designers, manufacturers and marketers of Ride Performance and Clean Air products and technology for various vehicles. The company made significant improvements and major equipment purchases for the Woodman Drive facility during 2019 and continued increasing employment during 2020. Alternate Solutions Health Network, a long-time Kettering business founded in 1999 is a national leader in post-acute care strategic partnerships. The company collaborates with health systems to build a continuum of care focused on technology, efficiency, and performance. The company purchased an existing 200,000 square foot facility at the Kettering Business Park (KBP) in 2016. After more than \$4 million in investment, the company continues to thrive and expand in their new headquarters with expected growth in employment of 340 jobs by 2021. Also in 2019, the City sold 14 acres of land and a largely vacant 200,000 square foot warehouse, Building #2, at KBP to a developer. The developer demolished the building and constructed a 100,000 square foot distribution center for Amazon. The facility is a "last-mile" package distribution center with associated delivery vehicle parking areas. Amazon began processing packages in July 2019 and is now fully staffed with about 400 part-time employees plus 6 companies providing drivers for the operation.

Infrastructure investment is also a priority for the City. One significant example is the continued implementation of the plan developed by the Wilmington Pike Improvement Committee to regenerate investment and spur economic development along the Wilmington Pike corridor. The Demolition Program provides financial assistance to commercial and residential property owners in the Program Designated Area to assist with the demolition of structures and clearing of sites for purposes of redevelopment. A major streetscape improvement project in the corridor between Stroop and Marshall Roads completed in early 2018 brought new streetlights, abundant street trees, and decorative banners. A new 8-foot multi-use path on the west side of the corridor offers a connection to existing regional bikeways and improved pedestrian access to businesses. The City purchased three additional properties deemed unsuitable for reuse in 2019. The

buildings were demolished, the sites were cleared for redevelopment, and the landscaping was improved. The lots are now on the market for reinvestment. As improvements along Wilmington Pike continue, reinvestment by businesses is occurring in this area. One current example is Michael Cui's Restaurant which will replace a former sports bar, vacant since 2009. The dining will be expanded by adding a 3,000 square foot patio. The renovations will take place in 2021 bringing new jobs to Kettering. Along with significant indoor renovations, the owner plans to add a new street façade with connections from city sidewalks to the property, as well as ambient outdoor features. Eudora Brewing transformed a vacant and deteriorating Pep Boys building into a destination brewery. Construction on the new Wilmington Stroop Library branch was completed and reopened in 2019. The City will continue to act as a catalyst for reinvestment in this vital area in future years.

After completion of a significant capital investment with the construction of four new fire stations, the City turned its attention to a major renovation to the Kettering Police Department (KPD) headquarters in 2020. The KPD renovation involves adding a second story to the existing headquarters and renovating the existing space to meet the needs of a modern police department. The project estimate is \$8.3 million and should be complete by the end of 2021. The City issued General Obligation debt to pay for the project. In conjunction with the issuance of debt, Moody's Investors Service reaffirmed the City's bond rating at Aa1.

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

A significant area of emphasis for this organization is long term financial planning. This includes preparation of a five year capital improvement program and a long range financial forecast. Additional practices are discussed under Long Term Financial Policies in the City's 2021 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

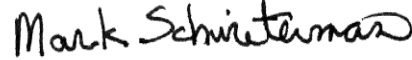
Independent Audit. The basic financial statements of the City of Kettering were audited by Plattenburg & Associates, Inc. Certified Public Accountants. See page 2 of the Financial Section of this report for their unmodified opinion.

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, 2019. 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 38 consecutive years (fiscal years ended 1982-2019). 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, 2020. The City of Kettering has received a Distinguished Budget Presentation Award for the last 35 consecutive years (fiscal years beginning 1986-2020). 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 Assistant Finance Director Marcy K. Bare and Financial Analyst Rachel F. Dexter, 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
Tony Klepacz, Vice Mayor
Bruce E. Duke
Jacque Fisher
Bill Lautar
Rob Scott
Joseph D. Wanamaker

CITY MANAGER

Mark Schwieterman

INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.
Certified Public Accountants

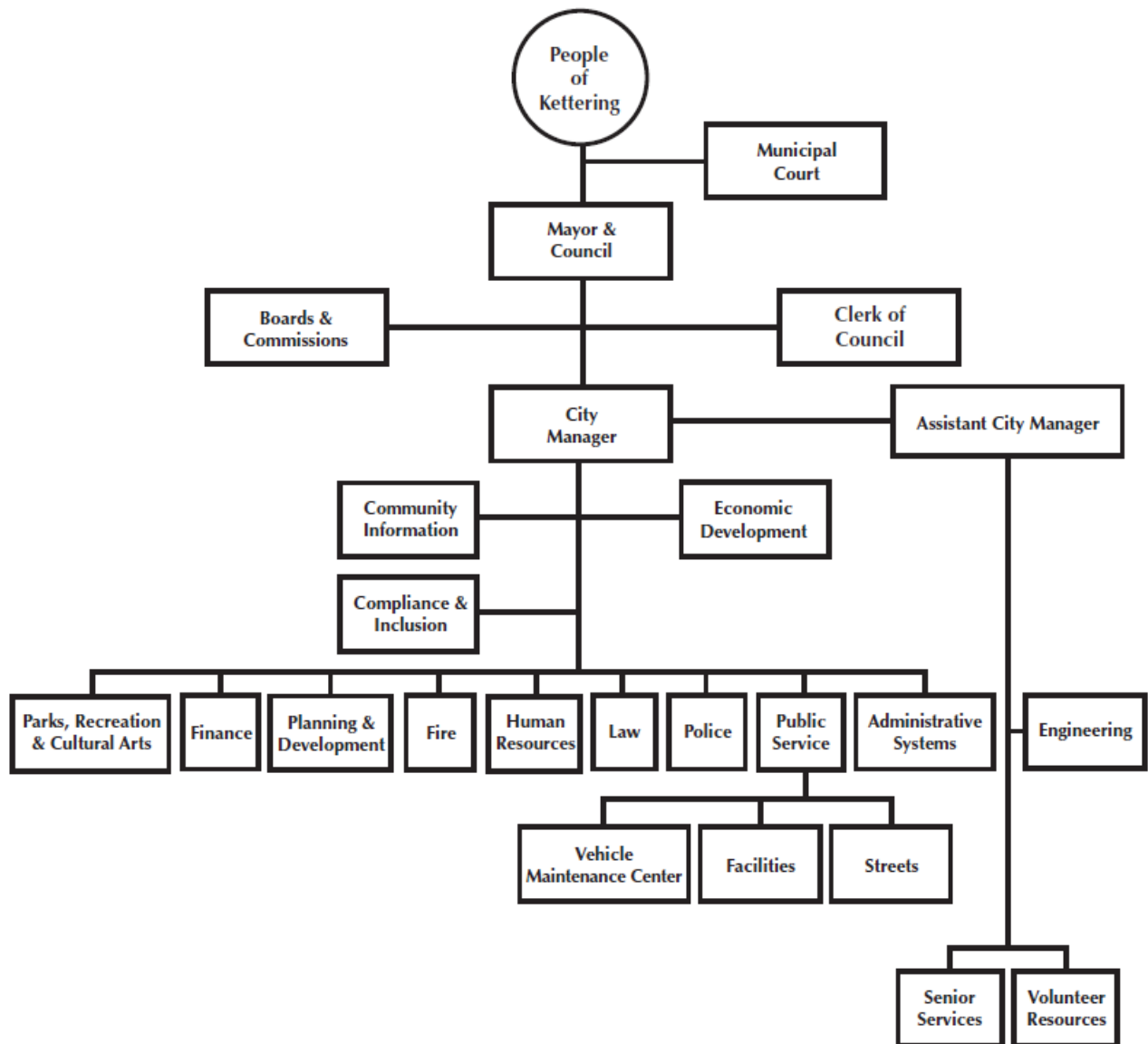
CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

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

City of Kettering 2020 Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

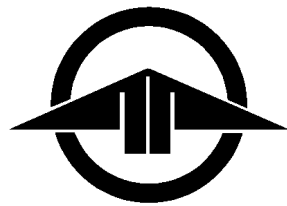
**City of Kettering
Ohio**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

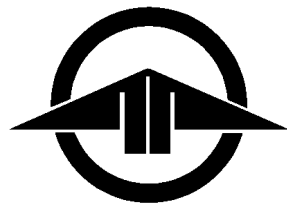
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, 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 23, 2021



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, 2020.

FINANCIAL HIGHLIGHTS

1. Net position decreased \$8,483,700 or 5.4% while unrestricted net position decreased \$6,519,800 or 96.2%. 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 4.6% while total expenses increased 34.8%.
3. Charges for services decreased 64.5%.
4. Operating grants and contributions increased 237.7% and capital grants and contributions decreased 25.3%.
5. Income taxes increased \$218,600 or 0.4%.
6. Investment earnings decreased \$1,213,300 or 56.3%.
7. Total costs of services increased 35.0%, while net costs of services increased 57.9%.
8. The General Fund reported an increase in fund balance of \$7,924,800.

USING THIS ANNUAL REPORT

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

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

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

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

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

Our analysis of the City’s major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information about the most significant funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the Finance Director establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using

certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds — governmental and proprietary — use different accounting approaches.

- **Governmental funds** — Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds** — The City uses internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. An example of an internal service fund would be the City's Administrative Operations Fund, which accounts for activities of the Vehicle Maintenance Center, the Print Shop, and others. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019:

TABLE 1
NET POSITION

	2020	2019
Current and other assets	\$118,798,858	\$114,834,158
Capital assets	184,334,908	179,845,112
Total assets	303,133,766	294,679,270
Deferred outflows of resources	26,491,880	35,569,688
Long-term debt outstanding	(33,529,295)	(26,716,224)
Net pension and OPEB liability	(110,333,172)	(122,422,342)
Other liabilities	(8,163,606)	(8,247,286)
Total liabilities	(152,026,073)	(157,385,852)
Deferred inflows of resources	(29,203,594)	(15,983,426)
Net position:		
Net investment in capital assets	156,490,367	158,460,521
Restricted	5,199,980	5,193,711
Unrestricted	(13,294,368)	(6,774,552)
Total net position	\$148,395,979	\$156,879,680

The largest impacts on the City's financial statement in 2020 had absolutely no impact on the City's financial condition; GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". GASB 68 and GASB 75 required the City to recognize a pension/OPEB liability of over \$110 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 \$251,626,500 which is \$103 million more than the net position reported.

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

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

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

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

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

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

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

TABLE 2
CHANGES IN NET POSITION

	2020	2019
Revenues		
Program revenues:		
Charges for services	\$4,275,524	\$12,053,315
Operating grants and contributions	4,884,548	1,446,630
Capital grants and contributions	3,026,141	4,050,782
General revenues:		
Income taxes	51,868,398	51,649,781
Property taxes	6,931,027	7,008,117
Other taxes	5,359,373	4,644,136
Investment earnings	942,849	2,156,124
Other general revenue	6,282,654	4,555,756
Total revenues	<u>83,570,514</u>	<u>87,564,641</u>
Program expenses		
General government	24,037,345	21,602,096
Police	20,021,648	4,716,597
Fire	18,873,721	1,891,292
Public works	17,479,111	18,628,436
Leisure services	10,962,952	20,869,470
Interest on long-term debt	679,438	593,985
Total expenses	<u>92,054,215</u>	<u>68,301,876</u>
Increase (decrease) in net position	(8,483,701)	19,262,765
Net position beginning, restated	<u>156,879,680</u>	<u>137,616,915</u>
Net position ending	<u>\$148,395,979</u>	<u>\$156,879,680</u>

For 2020 the City produced a 5.4% decrease in total net position. Revenues generated were \$83.6 million and expenses from all programs were \$92.1 million resulting in a deficit for the year of \$8,483,700. 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 \$6,519,800. As stated above, the requirement that the City recognize a pension/OPEB liability of over \$110 million distorts the City's net position and unrestricted net position.

Explanations for the larger fluctuations between years are as follows:

- Income tax revenues increased due to a 27 pay period year during 2020 for many employers.
- Charges for services decreased due to the cancellation of the 2020 Frazee Pavilion season and temporary closure of leisure services activities as a result of the COVID-19 public health emergency.
- Operating grants and contributions increased due to CARES Act funding as a result of the COVID-19 public health emergency.
- Capital grants and contributions were higher last year due to grant funded roadway projects.
- Investment earnings decreased due to lower interest rates primarily due to the COVID-19 public health emergency.
- Other taxes increased primarily due to the Ohio gas tax increase that went into effect July 2019.
- Miscellaneous revenues increased due to Bureau of Workers' Compensation dividends received.

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	
	2020	2019	2020	2019
Police	\$20,021,648	\$4,716,597	\$19,983,855	\$4,648,370
Fire	18,873,721	1,891,292	14,227,627	294,184
Public works	17,479,111	18,628,436	14,436,030	14,561,904
Leisure services	10,962,952	20,869,470	9,668,051	12,259,834
All others	24,037,345	21,602,096	20,873,001	18,392,872
	<u>\$91,374,777</u>	<u>\$67,707,891</u>	<u>\$79,188,564</u>	<u>\$50,157,164</u>

Total costs of services for 2020 increased by \$23,666,900 while net costs of services increased by \$29,031,400. Both increases are primarily a result of pension/OPEB adjustments required by GASB Statements 75 and 68. Other operational fluctuations in Total Cost of Services and Net Cost of Services are explained below after Table 4.

As explained on page 7, the provisions of GASB Statements 75 and 68 distort the true financial position of the City. The same provisions require the City to recognize a pension/OPEB adjustment that increased expenses by \$10.7 million in 2020 and decreased expenses by \$20.2 million in 2019. As a result, it is difficult to ascertain the true operational cost of services and the change in cost of services from year to year. The chart below shows total costs of services and net cost of services by function with the GASB Statements 75 and 68 pension and OPEB costs removed.

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

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Police	\$17,254,243	\$17,246,471	\$17,216,450	\$17,178,244
Fire	15,953,692	15,493,073	11,307,598	13,895,965
Public works	15,610,070	17,064,128	12,566,989	12,997,596
Leisure services	11,465,917	18,739,917	10,171,016	10,130,281
All others	20,404,218	19,410,729	17,239,874	16,201,505
	<u>\$80,688,141</u>	<u>\$87,954,319</u>	<u>\$68,501,928</u>	<u>\$70,403,592</u>

As shown in Table 4, total costs of services for 2020 decreased by \$7,266,200 while net costs of services decreased by \$1,901,700. Total costs decreased due to a) the cancellation of the Frazee Pavilion season, b) the temporary closure of leisure facilities due to the COVID-19 public health emergency, and c) fewer inclement weather events which resulted in reduced purchases of salt and less overtime incurred. Net costs of services decreased by a lesser amount because of CARES Act funding received due to the COVID-19 public health emergency, which were used primarily to fund public safety personnel costs in the Fire function.

The capital asset activity for the year was higher than normal. Capital asset additions totaled \$16.3 million compared to \$11.7 million in 2019. 2020's largest additions included \$7.7 million for a renovated police station and over \$4.8 million in street improvements. Total net capital assets for 2020 were \$184,334,908. Of this total, \$11,347,436 was not being depreciated and the capital assets being depreciated totaled \$340,381,430 with accumulated depreciation of \$167,393,958.

During 2020 the City issued \$8,300,000 of General Obligation debt to finance the renovating and equipping of the police station. At December 31, 2020, the City had various debt issues outstanding, which included \$26,835,000 of general obligation bonds and \$405,725 of promissory notes. As of December 31, 2020, the City's net general obligation bonded debt of \$27,438,815 was well below the legal limit of \$122,057,309 and debt per capita equaled \$496.

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 \$84.1 million, which is 5.3% higher than last year's total of \$79.8 million.

In 2013 the City received a one-time estate tax distribution of over \$42 million dollars. 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.

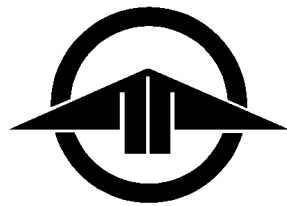
The City's General Fund experienced a \$1,553,900, or 2.4% overall increase in revenues for 2020. At the same time expenditures decreased by \$119,000 or .2%, and transfers out decreased by \$5,518,300 or 31.8%. The City's General Fund balance increased in 2020 by \$7,924,800. The increase in refunds and reimbursements accounts for the majority of the increase in total revenues, and was a result of dividends received from the Bureau of Workers' Compensation as well as the timing of an insurance reimbursement. Income tax revenue increased slightly due to a 27 pay period year. Intergovernmental revenue increased due to an Economic Development/Government Equity payment received. Investment earnings decreased due to lower interest rates. Fines and forfeits decreased due to reduced in-person Court appearances because of COVID-19. Transfers out to the Capital Projects fund decreased due to the timing of projects. Part of the \$7.9 million increase in General Fund balance is attributed to the over \$3.1 million in public safety personnel expenditures that were recorded in the CARES Act fund (Other Special Revenue Governmental Funds). Total revenues for the General Fund were \$66.4 million while total expenditures were \$47.7 million. Transfers to other funds totaled \$11.8 million resulting in the \$7,924,800 increase to the General Fund balance.

Revenues in the Street Maintenance fund increased by \$449,800 or 13.8%. This increase was due to an increase in the Ohio gas tax that was effective mid-2019. Parks, Recreation & Cultural Arts experienced a decrease in revenues of 61.8% and a decrease in expenditures of 21.7%. Frazee Pavilion experienced a decrease in revenues of 99.6% and a decrease in expenditures of 85.2%. The variances in both Parks, Recreation & Cultural Arts and Frazee Pavilion were a result of the COVID-19 public health emergency; leisure facilities were temporarily closed and the 2020 Frazee Pavilion season was canceled. The Community Development fund saw an increase in revenues due to CARES Act funding and an increase in expenditures due to COVID-19 related projects. Revenues in the Capital Projects fund decreased by \$1.3 million or 25.4%. This decrease was due to reduced projects with state grant funding. Capital Projects fund expenditures increased due to the renovation of the police station. The reduction of the fund balance in the Capital Projects fund is due to the planned use of estate tax revenues of \$3,000,000 per year as detailed above. The Other Special Revenue Governmental Funds saw an increase in revenues and expenditures. The City received CARES Act funding from the Coronavirus Relief Fund-Local Government Assistance Program of \$3,171,363. The funds were used primarily for public safety payroll. There were no other material changes to the major funds in 2020.

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.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global COVID-19 pandemic. The City of Kettering experienced higher operating costs in Fire/emergency services; however, the impact was lessened through the CARES Act emergency federal funding. Temporary closure of recreational facilities and cancellation of the Frazee Pavilion season resulted in loss of revenues. COVID-19 will financially impact subsequent periods of the City. In particular, the City's second largest employer announced in September 2020 that they were shifting to a work at home model. This shift will negatively affect future income tax revenues. Further impact of the COVID-19 pandemic on the City's future operating costs, revenues, and any further recovery from emergency federal or state funding cannot be estimated.

This financial report is designed to provide our citizens and other interested parties with an overview of the City's finances and to show accountability for the money it receives. This report is also available on the City's website at www.ketteringoh.org. Questions concerning any of the information provided in this report or requests for additional information may be addressed to the Finance Department, City of Kettering, 3600 Shroyer Road, Kettering, Ohio, 45429.



CITY OF KETTERING

STATEMENT OF NET POSITION
DECEMBER 31, 2020
ASSETS

Pooled cash and investments (note 2)	\$88,455,571
Receivables:	
Income taxes (net of allowance for \$1,544,132)	11,774,900
Property taxes	7,525,957
Payments in lieu of taxes	408,000
Interest	530,497
Accounts	402,895
Special assessments	1,170,000
Loans (net of allowance for \$19,424)	1,664,094
Due from other governments	3,026,935
Prepaid items	682,782
Inventory	445,837
Assets held for resale	2,711,390
Capital assets not being depreciated (note 7)	11,347,436
Capital assets being depreciated, net (note 7)	172,987,472
Total assets	<u>303,133,766</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension and OPEB	26,491,880
Total deferred outflows	<u>26,491,880</u>

LIABILITIES

Accounts payable	2,623,687
Salary and benefits payable	2,794,487
Accrued interest payable	60,868
Accrued health claims	734,561
Unearned revenue	1,950,003
Noncurrent liabilities (note 12)	
Due within one year	4,958,734
Due in more than one year	
Net pension and OPEB liability	110,333,172
Other amounts	28,570,561
Total liabilities	<u>152,026,073</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes	8,695,957
Grants, other taxes and payments in lieu of taxes	1,118,419
Pension and OPEB	19,389,218
Total deferred inflows	<u>29,203,594</u>

NET POSITION

Net investment in capital assets	156,490,367
Restricted for:	
Debt service	1,009,652
Social services	1,295,870
Public safety	617,368
Road construction/Public works	129,349
Leisure services	47,636
Municipal court activities	2,100,105
Unrestricted	(13,294,368)
Total net position	<u>\$148,395,979</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

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	\$24,037,345	\$1,750,293	\$1,414,051	\$0	(\$20,873,001)
Police	20,021,648	27,931	9,862		(19,983,855)
Fire	18,873,721	1,293,257	3,352,837		(14,227,627)
Public works	17,479,111	16,940		3,026,141	(14,436,030)
Leisure services	10,962,952	1,187,103	107,798		(9,668,051)
Interest on long-term debt	679,438				(679,438)
Total	<u>\$92,054,215</u>	<u>\$4,275,524</u>	<u>\$4,884,548</u>	<u>\$3,026,141</u>	<u>(79,868,002)</u>
General revenues:					
Taxes:					
					51,868,398
					6,234,165
					696,862
					977,447
					3,054,990
					738,379
					154,450
					434,107
					960,483
					404,253
					942,849
					3,606,048
					1,311,870
					<u>71,384,301</u>
					(8,483,701)
					156,879,680
					<u>\$148,395,979</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	\$48,521,502	\$456,041	\$500,790	\$816,650
Receivables:				
Income taxes (net of allowance for \$1,544,132)	11,774,900			
Property taxes	6,465,957			
Payments in lieu of taxes				
Interest	530,497			
Accounts	130,273		3,585	
Special assessments	400,000			
Loans (net of allowance for \$19,424)	850,419			
Due from Other Special Revenue fund	143,013			
Due from other governments	914,337	1,502,761		
Prepaid items	264,403	27,617	45,435	24,804
Inventory		167,802		
Assets held for resale	2,711,390			
Total assets	<u>\$72,706,691</u>	<u>\$2,154,221</u>	<u>\$549,810</u>	<u>\$841,454</u>
LIABILITIES				
Accounts payable	\$1,127,779	\$50,684	\$145,609	\$17,059
Due to General fund				
Accrued payroll	1,979,974	193,769	227,635	12,403
Unearned revenue	1,815,957		81,320	12,126
Total liabilities	<u>4,923,710</u>	<u>244,453</u>	<u>454,564</u>	<u>41,588</u>
DEFERRED INFLOWS OF RESOURCES				
Income taxes	6,605,081			
Property taxes	6,865,957			
Grants, other taxes and payments in lieu of taxes	1,583,917	1,240,900		
Total deferred inflows of resources	<u>15,054,955</u>	<u>1,240,900</u>		
FUND BALANCES				
Nonspendable: Inventory, prepaids and loans	3,298,249	195,419	45,435	24,804
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	113,348			
Public safety	1,277,410			
Road construction / Public works	2,791	473,449		
Leisure services			49,811	775,062
Economic development	762,947			
Other purposes	181,314			
Assigned for:				
Road construction / Public works	1,176,350			
Future appropriations	2,303,500			
Unassigned:	43,612,117			
Total fund balances	<u>52,728,026</u>	<u>668,868</u>	<u>95,246</u>	<u>799,866</u>
Total liabilities, deferred inflows & fund balances	<u>\$72,706,691</u>	<u>\$2,154,221</u>	<u>\$549,810</u>	<u>\$841,454</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
\$439,417	\$655,076	\$948,229	\$24,261,496	\$3,821,955	\$80,421,156
					11,774,900
		740,000		320,000	7,525,957
			408,000		408,000
					530,497
100	47,032	141,097	12,500		334,587
			770,000		1,170,000
813,675					1,664,094
					143,013
80,601		49,100	191,673	288,463	3,026,935
150				295,720	658,129
					167,802
					2,711,390
<u>\$1,333,943</u>	<u>\$702,108</u>	<u>\$1,878,426</u>	<u>\$25,643,669</u>	<u>\$4,726,138</u>	<u>\$110,536,460</u>
\$38,073	\$1,340	\$4,019	\$1,111,225	\$33,006	\$2,528,794
				143,013	143,013
				218,517	2,632,298
				40,600	1,950,003
<u>38,073</u>	<u>1,340</u>	<u>4,019</u>	<u>1,111,225</u>	<u>435,136</u>	<u>7,254,108</u>
					6,605,081
		740,000	770,000	320,000	8,695,957
80,602	25,218	124,755	574,649	268,766	3,898,807
<u>80,602</u>	<u>25,218</u>	<u>864,755</u>	<u>1,344,649</u>	<u>588,766</u>	<u>19,199,845</u>
				295,720	3,859,627
		1,009,652			1,009,652
1,215,268					1,215,268
			292,647	276,506	569,153
				28,749	28,749
				47,636	47,636
				2,100,105	2,100,105
				7,527	120,875
	675,550			14,925	1,967,885
			498,972		975,212
			352,696	875,201	2,052,770
					762,947
			22,043,480	55,867	22,280,661
					1,176,350
					2,303,500
<u>1,215,268</u>	<u>675,550</u>	<u>1,009,652</u>	<u>23,187,795</u>	<u>3,702,236</u>	<u>43,612,117</u>
<u>\$1,333,943</u>	<u>\$702,108</u>	<u>\$1,878,426</u>	<u>\$25,643,669</u>	<u>\$4,726,138</u>	<u>\$84,082,507</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. 182,957,722

Other noncurrent assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Income taxes receivable 6,605,080

Grants and other taxes receivable 2,780,388

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. 1,543,740

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 (27,844,540)

Pension and OPEB (96,438,148)

Vacation and sick leave benefits (5,229,902)

Accrued interest on bonds payable (60,868)

Net Position of Governmental Activities \$148,395,979

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2020

			Major	Special
	General	Street	Parks, Recreation & Cultural Arts	Fraze Pavilion
	Fund	Maintenance		
REVENUES				
Income taxes	\$51,818,582			
Property taxes	5,922,137			
Payments in lieu of taxes				
Licenses and permits	469,824	\$16,940		
Intergovernmental revenue	2,250,910	3,377,608	\$27,308	
Charges for services	147,116		1,187,103	
Fines and forfeits	819,716			
Investment earnings	629,501			
Special assessments	413,019			
Refunds and reimbursements	3,815,623	308,892	125,390	\$19,354
Miscellaneous	103,323	9,509	80,523	1,178
Total revenues	66,389,751	3,712,949	1,420,324	20,532
EXPENDITURES				
Current:				
General government	18,017,826			
Police	14,960,914			
Fire	11,894,549			
Public works	2,791,232	5,982,088		
Leisure services			8,695,373	764,217
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	47,664,521	5,982,088	8,695,373	764,217
Excess (deficiency) of revenues over expenditures	18,725,230	(2,269,139)	(7,275,049)	(743,685)
OTHER FINANCING SOURCES (USES)				
Transfers in		1,685,000	7,275,800	
Transfers out	(11,818,597)			
General obligation bonds issued				
Premium on bonds issued				
Sale of city assets	1,018,145	88,520	23,454	
Total Other Financing Sources (Uses)	(10,800,452)	1,773,520	7,299,254	0
Net change in fund balance	7,924,778	(495,619)	24,205	(743,685)
Fund balances--beginning	44,803,248	1,164,487	71,041	1,543,551
Fund balances--ending	\$52,728,026	\$668,868	\$95,246	\$799,866

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
					\$51,818,582
		\$696,862		\$312,028	6,931,027
			\$404,253		404,253
					486,764
\$737,031		98,148	2,194,195	3,865,137	12,550,337
	\$308,249	924,746		33,661	2,600,875
				307,906	1,127,622
6,108	6,196	14,985	274,221	11,838	942,849
			693,931		1,106,950
		40,000	317,574	2,968	4,629,801
6,865				40,825	242,223
<u>750,004</u>	<u>314,445</u>	<u>1,774,741</u>	<u>3,884,174</u>	<u>4,574,363</u>	<u>82,841,283</u>
710,073		47,946		566,104	19,341,949
				1,872,146	16,833,060
	15,982			3,423,522	15,334,053
				95,248	8,868,568
				7,605	9,467,195
25,269			15,450,623	177,805	15,653,697
		2,167,396			2,167,396
		713,531			713,531
<u>735,342</u>	<u>15,982</u>	<u>2,928,873</u>	<u>15,450,623</u>	<u>6,142,430</u>	<u>88,379,449</u>
<u>14,662</u>	<u>298,463</u>	<u>(1,154,132)</u>	<u>(11,566,449)</u>	<u>(1,568,067)</u>	<u>(5,538,166)</u>
		794,900	395,425	1,667,472	11,818,597
					(11,818,597)
			8,300,000		8,300,000
		219,581	153,727		373,308
					1,130,119
<u>0</u>	<u>0</u>	<u>1,014,481</u>	<u>8,849,152</u>	<u>1,667,472</u>	<u>9,803,427</u>
<u>14,662</u>	<u>298,463</u>	<u>(139,651)</u>	<u>(2,717,297)</u>	<u>99,405</u>	<u>4,265,261</u>
<u>1,200,606</u>	<u>377,087</u>	<u>1,149,303</u>	<u>25,905,092</u>	<u>3,602,831</u>	<u>79,817,246</u>
<u>\$1,215,268</u>	<u>\$675,550</u>	<u>\$1,009,652</u>	<u>\$23,187,795</u>	<u>\$3,702,236</u>	<u>\$84,082,507</u>
Net change in Fund Balance - Governmental Funds					\$4,265,261
Amounts reported for governmental activities in the Statement of Activities (page 13) are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.					
In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differ from the change in fund balance by the book value of the asset sold.					(48,105)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					
Income taxes receivable					49,816
Grants receivable					328,078
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases noncurrent liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. This amount is the net effect of these differences in the treatment of long-term debt.					
					(6,505,912)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.					
Vacation and sick leave benefits					(322,765)
Interest payable					34,093
Pension and OPEB					(9,375,973)
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (See page 19)					
					(1,096,466)
Change in Net Position on the Statement of Activities					<u>\$8,483,701</u>

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

	Governmental Activities- Internal Service Funds
ASSETS	
Current Assets:	
Pooled cash and investments	\$8,034,415
Accounts receivable	68,309
Prepaid items	24,653
Inventory	278,035
Total current assets	<u>8,405,412</u>
Noncurrent Assets:	
Capital assets:	
Buildings and improvements	839,699
Machinery and equipment	3,422,328
Less: Accumulated depreciation	<u>(2,884,841)</u>
Total noncurrent assets	<u>1,377,186</u>
Total assets	<u>9,782,598</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB	<u>1,594,151</u>
Total deferred outflows	<u>1,594,151</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	94,893
Accrued payroll	162,189
Accrued health claims	734,561
Total current liabilities	<u>991,643</u>
Noncurrent liabilities:	
Accrued vacation and sick benefits due within one year	227,427
Accrued vacation and sick benefits due within more than one year	227,426
Net pension and OPEB liability	<u>6,984,578</u>
Total noncurrent liabilities	<u>7,439,431</u>
Total liabilities	<u>8,431,074</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB	<u>1,401,935</u>
Total deferred inflows	<u>1,401,935</u>
NET POSITION	
Net investment in capital assets	1,377,186
Unrestricted	166,554
Total net position	<u><u>\$1,543,740</u></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, 2020

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$14,039,807
Total operating revenues	<u>14,039,807</u>
OPERATING EXPENSES	
Personal services	5,131,036
Repairs and maintenance	1,023,542
Contractual services	8,457,504
Other materials and expenses	392,299
Depreciation	<u>218,910</u>
Total operating expenses	<u>15,223,291</u>
Operating income (loss)	<u>(1,183,484)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>87,018</u>
Change in net position	<u>(1,096,466)</u>
Total net position--beginning	<u>2,640,206</u>
Total net position--ending	<u><u>\$1,543,740</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$13,956,054
Cash paid to suppliers for goods or services	(8,501,738)
Cash paid to employees for services	(5,082,756)
Net cash provided (used) by operating activities	<u>371,560</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(568,539)
Sale of capital assets	23,383
Net cash used by capital and related financing activities	<u>(545,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	87,018
Net cash provided by investing activities	<u>87,018</u>
Net increase (decrease) in cash	(86,578)
Cash at beginning of year	8,120,993
Cash at end of year	<u><u>\$8,034,415</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(\$1,183,484)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	218,910
Increase (decrease) in net pension and OPEB liability	277,310
(Increase) decrease in deferred outflows - pension and OPEB	(65,993)
Increase (decrease) in deferred inflows - pension and OPEB	1,099,345
(Increase) decrease in receivables	(60,362)
(Increase) decrease in inventories	56,952
Increase (decrease) in accounts payable	(85,246)
Increase (decrease) in accrued health claims	94,361
Net (increase) decrease in other operating net position	19,767
Net cash provided (used) by operating activities	<u><u>\$371,560</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	Deceased Police Dependents Private Purpose Trust	Custodial Funds
ASSETS		
Pooled cash and investments	\$100,318	\$4,508
Investments with fiscal agent, at fair value:		
Other investments		113,532
Total assets	100,318	118,040
LIABILITIES		
Accounts payable		
Total liabilities	0	0
NET POSITION		
Restricted for:		
Scholarships	100,318	
Individuals, organizations, and other governments		118,040
Total net position	\$100,318	\$118,040

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Deceased Police Dependents Private Purpose Trust	Custodial Funds
ADDITIONS		
Investment earnings	\$1,076	
Moneys held for others		\$11,483
Court receipts		1,294,282
Total additions	1,076	1,305,765
DEDUCTIONS		
Municipal court disbursements		1,333,261
Miscellaneous payments		45,684
Total deductions		1,378,945
Net increase (decrease)	1,076	(73,180)
Net position--beginning of year	99,242	191,220
Net position--end of year	\$100,318	\$118,040

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

C. Basis of Accounting

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

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

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

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

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

D. Pooled Cash and Investments and Investment with Fiscal Agent

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

E. Inventory

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

F. Capital Assets

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

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

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

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

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

G. Interfund Transactions and Transfers

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

H. Fund Balance Classifications

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

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

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

I. Grants and Other Intergovernmental Revenues

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

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, grants and other taxes (which includes tax incremental financing 'TIF'), pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance year 2021 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 \$7,537,501. Of this amount, \$3,526,387 was insured; the remaining \$4,011,114 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 and U.S. agencies (Federal Home Loan Bank, FHLB), 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 \$5,603,707 in corporate bonds issued by General Dynamics Corp. representing 6.3% of the pooled cash and investments. At year-end, all securities in the corporate bond category (\$67,345,651) and FHLB notes (\$957,766) are rated "A" or better. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in Star Ohio at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. STAR Ohio carries a rating of AAAm. All other investment types are unrated.

As of December 31, 2020 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	\$67,345,651	\$26,554,786	\$40,790,865		
FHLB Notes	957,766	957,766			
STAR Ohio	13,519,968	13,519,968			
Total	<u>\$81,823,385</u>	<u>\$41,032,520</u>	<u>\$40,790,865</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, 2020:

- Corporate bonds and U.S. agencies of \$68,303,417 are valued using a matrix pricing model (Level 2 inputs)
- Pooled investment funds (STAR Ohio) of \$13,519,968 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 2020.

The property tax calendar is as follows:

Levy date	December 31, 2019
Lien date	December 31, 2019
Tax bill mailed	January 20, 2020
First installment payment due	February 15, 2020
Second installment payment due*	July 14, 2020
*Extended to August 14 for 2020 only	

The assessed values for the City at December 31, 2019 were as follows:

	Assessed Value
	Category
Real Estate	\$1,133,908,210
Public Utility Real Property	13,320
Public Utility Personal Property	28,529,030
Total	<u>\$1,162,450,560</u>

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

5. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2045. Fund balance has been classified as restricted for the loans receivable at December 31, 2020. 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, 2020.

6. INTERFUND TRANSFERS

All transfers for 2020 were out of the General Fund and into all other funds listed on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$10,831,360	\$43,105	(\$243,240)	\$10,631,225
Right of Way	707,848	8,363		716,211
Subtotal	<u>11,539,208</u>	<u>51,468</u>	<u>(243,240)</u>	<u>11,347,436</u>
Capital assets being depreciated:				
Buildings and improvements	82,292,703	8,316,679	(301,102)	90,308,280
Machinery and equipment	23,023,465	1,985,688	(1,434,397)	23,574,756
Infrastructure	225,064,591	5,984,414	(4,550,611)	226,498,394
Subtotal	<u>330,380,759</u>	<u>16,286,781</u>	<u>(6,286,110)</u>	<u>340,381,430</u>
Accumulated depreciation:				
Buildings and improvements	(44,137,586)	(2,541,079)	301,102	(46,377,563)
Machinery and equipment	(14,774,251)	(1,731,669)	1,307,313	(15,198,607)
Infrastructure	(103,163,018)	(7,205,381)	4,550,611	(105,817,788)
Subtotal	<u>(162,074,855)</u>	<u>(11,478,129)*</u>	<u>6,159,026</u>	<u>(167,393,958)</u>
Net capital assets being depreciated	<u>168,305,904</u>	<u>4,808,652</u>	<u>(127,084)</u>	<u>172,987,472</u>
Net capital assets	<u>\$179,845,112</u>	<u>\$4,860,120</u>	<u>(\$370,324)</u>	<u>\$184,334,908</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$658,158
Police	305,948
Fire	1,265,473
Public works	7,223,674
Leisure services	1,805,966
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.	218,910
Total depreciation expense	<u>\$11,478,129</u>

During 2020 the City traded a decommissioned fire station and the related land to the Kettering Board of Education in exchange for the land and building comprising Rosewood Arts Centre. This was a nonmonetary transaction. The asset obtained, Rosewood Arts Centre, was recorded at the fair value of the asset surrendered, the fire station. A gain of \$282,070 was recognized on the exchange in the entity-wide statements.

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

Property – \$500,000,000 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, 2020, indicates reserves in excess of anticipated claims.

MVRMA determined that property insurance coverage could be reduced and still provide ample protection. As a result, property insurance coverage was reduced in 2020 from \$1,000,000,000 to \$500,000,000. There were no other 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.

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

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 \$200,000 and annual aggregate claims in excess of 120% of the expected total claims for the year. The health insurance claim liability of \$734,561 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
2019	\$476,937	\$7,639,078	\$7,475,815	\$640,200
2020	640,200	7,706,068	7,611,707	734,561

9. DEFINED BENEFIT PENSION PLANS

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

NET PENSION LIABILITY/NET OPEB LIABILITY

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

The net pension liability and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings

on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

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

PLAN DESCRIPTION – OHIO PUBLIC EMPLOYERS RETIREMENT SYSTEM (OPERS)

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report 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> Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 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	<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 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	<u>State and Local</u> 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 35 years and 2.5% for service years in excess of 35
<u>Public Safety</u> Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<u>Public Safety</u> Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<u>Public Safety</u> Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u> Age and Service Requirements: Age 52 with 15 years of service credit	<u>Law Enforcement</u> Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<u>Law Enforcement</u> Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Public Safety and Law Enforcement</u> Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<u>Public Safety and Law Enforcement</u> Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<u>Public Safety and Law Enforcement</u> Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). 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 on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

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

	State and Local	Public Safety	Law Enforcement
2020 Statutory Maximum Contribution Rates			
Employer	14.00 %	18.10 %	18.10 %
Employee (a)	10.00 %	(b)	(c)
2020 Actual Contribution Rates			
Employer:			
Pension (d)	14.00 %	18.10 %	18.10 %
Post-employment Health Care Benefits (d)	0.00 %	0.00 %	0.00 %
Total Employer	14.00 %	18.10 %	18.10 %
Employee	10.00 %	12.00 %	13.00 %

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2020, the City's contractually required contribution was \$2,750,919. Of this amount \$166,943 is reported in accrued wages and benefits.

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

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

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

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

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

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

Members retiring under COLA method, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the consumer price index, over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$3,607,334 for 2020. Of this amount \$169,594 is reported as accrued wages and benefits.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019 to December 31, 2019. The City's proportion of the net pension liability (asset) 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:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the: Net Pension Liability	\$32,108,364	\$47,963,093	\$80,071,457
Proportion of the Net Pension Liability:			
Current Measurement Date	0.16244500%	0.71198470%	
Prior Measurement Date	0.14168500%	0.71312700%	
Change in Proportionate Share	0.02076000%	-0.00114230%	
Pension Expense	\$6,103,314	\$6,881,423	\$12,984,737

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

	OPERS Traditional Plan	OPF	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$0	\$1,815,558	\$1,815,558
Changes in assumptions	1,714,962	1,177,369	2,892,331
Changes in employer proportionate share of net pension liability	2,735,116	1,960,460	4,695,576
Contributions subsequent to the measurement date	2,750,919	3,607,334	6,358,253
Total Deferred Outflows of Resources	\$7,200,997	\$8,560,721	\$15,761,718
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$405,964	\$2,473,651	\$2,879,615
Net difference between projected and actual earnings on pension plan investments	6,404,896	2,317,003	8,721,899
Changes in employer proportionate share of net pension liability	605,115	481,541	1,086,656
Total Deferred Inflows of Resources	\$7,415,975	\$5,272,195	\$12,688,170

\$6,358,253 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPF	Total
2021	\$403,808	\$272,321	\$676,129
2022	(1,091,764)	471,360	(620,404)
2023	265,225	1,205,380	1,470,605
2024	(2,543,165)	(2,050,483)	(4,593,648)
2025	0	(217,386)	(217,386)
Thereafter	0	0	0
Total	(\$2,965,896)	(\$318,808)	(\$3,284,704)

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, 2019, 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, 2019, are presented below.

	OPERS Traditional Plan
Wage Inflation	3.25%
Future Salary Increases	3.25% to 10.75% (includes wage inflation)
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, Simple
Post-January 7, 2013 Retirees	1.40%, Simple through 2020, then 2.15%, Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple, to 1.4 simple through 2020 then 2.15 percent simple.

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.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

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 long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's

investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

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

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent 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 for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$52,957,070	\$32,108,364	\$13,365,975

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date There were no recent significant changes of pension benefit terms, health care plans, investment policies, the size or composition of the population covered by the benefit terms and health care plans impacting the actuarial valuation studies for pension and health care for the measurement date of December 31, 2019.

ACTUARIAL ASSUMPTIONS – OP&F

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

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

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Salary Increases	3.75% to 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

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

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

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

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

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

The long-term expected rate of return on 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 average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below.

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

Note: Assumptions are geometric

* levered 2x

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

Discount Rate Total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from 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 of 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 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%)
Proportionate share of the net pension liability:	\$66,475,179	\$47,963,093	\$32,479,568

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

10. POSTEMPLOYMENT BENEFITS

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

PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Health Care Plan Description OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting 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 allowing 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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

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

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

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase

the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

Funding Policy The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50 percent and 24.00 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$85,130 for 2020. Of this amount, \$3,634 is included in accrued wages and benefits.

NET OPEB LIABILITY

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019 to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the:			
Net OPEB Liability	\$23,228,922	\$7,032,793	\$30,261,715
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.16817200%	0.71198470%	
Prior Measurement Date	0.14506900%	0.71312700%	
Change in Proportionate Share	0.02310300%	-0.00114230%	
OPEB Expense	\$3,290,187	\$855,086	\$4,145,273

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

	OPERS Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$623	\$0	\$623
Changes of assumptions	3,676,891	4,111,643	7,788,534
Changes in employer proportionate share of net OPEB liability	1,751,610	1,104,265	2,855,875
Contributions subsequent to the measurement date	0	85,130	85,130
Total Deferred Outflows of Resources	<u>\$5,429,124</u>	<u>\$5,301,038</u>	<u>\$10,730,162</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$2,124,392	\$756,309	\$2,880,701
Changes of assumptions	0	1,498,794	1,498,794
Net difference between projected and actual earnings on OPEB plan investments	1,182,811	323,624	1,506,435
Changes in employer proportionate share of net OPEB liability	384,046	431,072	815,118
Total Deferred Inflows of Resources	<u>\$3,691,249</u>	<u>\$3,009,799</u>	<u>\$6,701,048</u>

\$85,130 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPF	Total
2021	\$1,261,821	\$414,035	\$1,675,856
2022	980,539	414,035	1,394,574
2023	941	480,419	481,360
2024	(505,426)	375,761	(129,665)
2025	0	378,145	378,145
Thereafter	0	143,714	143,714
Total	<u>\$1,737,875</u>	<u>\$2,206,109</u>	<u>\$3,943,984</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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary	3.25% to 10.75% (including wage inflation)
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate:	
Current measurement date	10.50% initial, 3.50% ultimate in 2030
Prior Measurement date	10.00% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age, Normal

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within 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 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. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36%	1.53%
Domestic Equities	21%	5.75%
Real Estate Investment Trust	6%	5.69%
International Equities	23%	7.66%
Other investments	14%	4.90%
Total	100%	4.55%

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. 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 the 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 City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.16 percent) or one percentage point higher (4.16 percent) than the current rate.

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Proportionate share of the net OPEB liability	\$30,398,771	\$23,228,922	\$17,488,206

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Proportionate share of the net OPEB liability	\$22,543,457	\$23,228,922	\$23,905,650

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

ACTUARIAL ASSUMPTIONS – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

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

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

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

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

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

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

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

Note: Assumptions are geometric

* levered 2x

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

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members

would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2033, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of the net OPEB liability	\$8,720,209	\$7,032,793	\$5,630,668

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Changes between Measurement Date and Report Date There was a decrease in the discount rate from 4.66 percent at the prior measurement date to 3.56 percent at the current measurement date. There are no changes to benefit terms.

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 2020 were \$13,030.

Significant commitments and encumbrances at December 31, 2020 included:
Capital Projects Fund \$1,669,000

12. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds:					
Court Facility Refunding, 1% - 4%	\$1,255,000		\$240,000	\$1,015,000	\$245,000
Court Facility premium	39,135		7,827	31,308	
Recreation & Parks Improvements					
Refunding, 2% - 3%	6,825,000		690,000	6,135,000	700,000
Recreation & Parks premium	82,070		9,119	72,951	
Fire Station Improvements, 1% - 4%	12,430,000		675,000	11,755,000	690,000
Fire Station premium	155,264		10,351	144,913	
Police Station Improvements, 2% - 3%		\$8,300,000	370,000	7,930,000	340,000
Fire Station premium		373,308	18,665	354,643	
Total general obligation bonds	20,786,469	8,673,308	2,020,962	27,438,815	1,975,000
Net Pension Liability:					
OPERS	38,804,648		6,696,284	32,108,364	
OP&F	58,210,006		10,246,913	47,963,093	
Total net pension liability	97,014,654		16,943,197	80,071,457	
Net OPEB Liability:					
OPERS	18,913,573	4,315,349		23,228,922	
OP&F	6,494,115	538,678		7,032,793	
Total net OPEB liability	25,407,688	4,854,027		30,261,715	
Other:					
Accrued vacation and sick leave benefits	5,331,634	2,685,982	2,332,861	5,684,755	2,842,377
Ohio Public Works Commission Long-Term Notes from Direct Borrowings, 0-3%	598,122		192,397	405,725	141,357
Total other	5,929,756	2,685,982	2,525,258	6,090,480	2,983,734
Total noncurrent liabilities	\$149,138,567	\$16,213,317	\$21,489,417	\$143,862,467	\$4,958,734

On February 12, 2020 the City issued \$8.3 million in General Obligation Bonds to finance the renovating and equipping of the police station. All general obligation bonds will be repaid from the debt service fund.

The City's outstanding notes from direct borrowings of \$405,725 contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate of 8% per annum until the date of payment, and outstanding amounts become immediately due. Also, the Lender may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City. Long-term notes from direct borrowings will be repaid from the debt service fund.

The City pays obligations related to employee compensation from the fund benefiting from the related employees' services. See Notes 9 and 10 for further information related to the net pension and OPEB liabilities.

The annual requirements to pay principal and interest on noncurrent obligations at December 31, 2020, are as follows:

	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$1,975,000	\$710,130	\$141,357	\$3,151
2022	2,020,000	666,010	142,295	2,213
2023	2,070,000	620,858	105,242	1,247
2024	2,120,000	574,574	16,831	
2025	1,905,000	507,158		
2026-2030	8,650,000	1,731,736		
2031-2035	6,135,000	653,550		
2036-2040	1,960,000	99,000		
	<u>\$26,835,000</u>	<u>\$5,563,016</u>	<u>\$405,725</u>	<u>\$6,611</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, 2020 the City had a legal debt margin for total debt of \$95,628,146 and a legal debt margin for unvoted debt of \$43,713,569.

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.

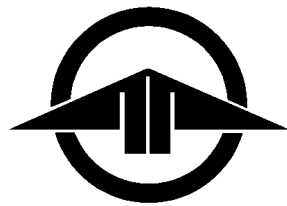
14. NEGATIVE FUND NET POSITION

The Administrative Operations Internal Service Fund ended the year with a negative net position of \$4,418,920. This negative net position is a result of the implementation of GASB Statement Nos. 68 and 75. The requirements of GASB 68 and GASB 75 make it unlikely that this fund will ever have a positive fund balance.

15. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For fiscal year 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB Statement No. 89 establishes that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.



CITY OF KETTERING

CITY OF KETTERING, OHIO

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.71198470%	0.71312700%	0.72455800%	0.68687500%	0.64947800%	0.63480600%	0.63480600%
City's proportionate share of the net pension liability	47,963,093	58,210,006	44,469,396	43,505,973	41,781,375	32,885,567	30,917,014
City's covered payroll	16,808,773	15,989,785	15,497,341	14,880,253	13,848,552	12,775,178	12,749,428
City's proportionate share of the net pension liability as a percentage of its covered payroll	285.35%	364.04%	286.95%	292.37%	301.70%	257.42%	242.50%
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%	68.36%	66.77%	72.20%	

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.16244500%	0.14168500%	0.15289300%	0.15278300%	0.15407100%	0.15548300%	0.15548300%
City's proportionate share of the net pension liability	32,108,364	38,804,648	23,985,948	34,694,421	26,624,822	18,704,224	18,316,130
City's covered payroll	21,265,821	22,814,593	22,019,931	21,340,029	21,200,679	20,296,179	19,941,750
City's proportionate share of the net pension liability as a percentage of its covered payroll	150.99%	170.09%	108.93%	162.58%	125.58%	92.16%	91.85%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	

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

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

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$3,607,334	\$3,552,214	\$3,413,819	\$3,349,738	\$3,202,381	\$2,958,704	\$2,728,747	\$2,723,226	\$2,658,962	\$2,667,129
Contributions in relation to the contractually required contribution	<u>(3,607,334)</u>	<u>(3,552,214)</u>	<u>(3,413,819)</u>	<u>(3,349,738)</u>	<u>(3,202,381)</u>	<u>(2,958,704)</u>	<u>(2,728,747)</u>	<u>(2,723,226)</u>	<u>(2,658,962)</u>	<u>(2,667,129)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City's covered payroll	17,026,003	16,808,773	15,989,785	15,497,341	14,880,253	13,848,552	12,775,178	12,749,428	12,450,605	12,475,082
Contributions as a percentage of covered payroll	21.19%	21.13%	21.35%	21.61%	21.52%	21.36%	21.36%	21.36%	21.36%	21.38%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$2,750,919	\$2,977,215	\$3,194,043	\$2,862,591	\$2,987,604	\$2,968,095	\$2,841,465	\$2,791,845	\$2,736,865	\$2,761,028
Contributions in relation to the contractually required contribution	<u>(2,750,919)</u>	<u>(2,977,215)</u>	<u>(3,194,043)</u>	<u>(2,862,591)</u>	<u>(2,987,604)</u>	<u>(2,968,095)</u>	<u>(2,841,465)</u>	<u>(2,791,845)</u>	<u>(2,736,865)</u>	<u>(2,761,028)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City's covered payroll	19,649,421	21,265,821	22,814,593	22,019,931	21,340,029	21,200,679	20,296,179	19,941,750	19,504,609	19,721,630
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.03%	14.00%

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.71198470%	0.71312700%	0.72455800%	0.68687500%
City's proportionate share of the net OPEB liability	7,032,793	6,494,115	41,052,442	32,604,412
City's covered payroll	16,808,773	15,989,785	15,497,341	14,880,253
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	41.84%	40.61%	264.90%	219.11%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	46.57%	14.13%	

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.16817200%	0.14506900%	0.15546000%	0.15440890%
City's proportionate share of the net OPEB liability	23,228,922	18,913,573	16,881,810	15,595,837
City's covered payroll	21,265,821	22,814,593	22,019,931	21,340,029
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	109.23%	82.90%	76.67%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	

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

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

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CITY CONTRIBUTIONS TO POSTEMPLOYMENT BENEFITS OTHER THAN****PENSION (OPEB)****OHIO POLICE & FIRE PENSION FUND****LAST FIVE FISCAL YEARS ⁽¹⁾**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution to OPEB	\$85,130	\$84,044	\$80,841	\$77,520	\$75,242
Contributions to OPEB in relation to the contractually required contribution	<u>(85,130)</u>	<u>(84,044)</u>	<u>(80,841)</u>	<u>(77,520)</u>	<u>(75,242)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City covered payroll	17,026,003	16,808,773	15,989,785	15,497,341	14,880,253
Contributions to OPEB as a percentage of covered payroll	0.50%	0.50%	0.51%	0.50%	0.51%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution to OPEB	\$0	\$0	\$0	\$251,825	\$426,630
Contributions to OPEB in relation to the contractually required contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>(251,825)</u>	<u>(426,630)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City covered payroll	19,649,421	21,265,821	22,814,593	22,019,931	21,340,029
Contributions to OPEB as a percentage of covered payroll	0.00%	0.00%	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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$44,803,248	\$44,803,248	\$44,803,248	
Resources (inflows)				
Income taxes	52,260,000	49,240,000	51,818,582	\$2,578,582
Property taxes	5,881,000	5,881,000	5,922,137	41,137
Licenses and permits	639,000	512,000	469,824	(42,176)
Intergovernmental revenue	1,734,000	2,218,000	2,250,910	32,910
Charges for services	119,000	131,000	147,116	16,116
Fines and forfeits	1,114,000	864,000	819,716	(44,284)
Investment earnings	1,000,000	702,000	629,501	(72,499)
Special assessments	400,000	410,000	413,019	3,019
Refunds and reimbursements	1,900,000	2,365,000	3,815,623	1,450,623
Miscellaneous	44,000	57,000	103,323	46,323
Sale of city assets	775,000	1,020,000	1,018,145	(1,855)
Amounts available for appropriation	110,669,248	108,203,248	112,211,144	4,007,896
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	152,000	152,000	150,803	1,197
Operating expenditures	81,751	81,751	56,582	25,169
Capital outlay				
Total mayor and council	233,751	233,751	207,385	26,366
Municipal court:				
Personal services	1,140,000	1,140,000	1,073,508	66,492
Operating expenditures	258,300	258,300	252,181	6,119
Capital outlay				
Total municipal court	1,398,300	1,398,300	1,325,689	72,611
Clerk of courts:				
Personal services	1,109,000	1,109,000	895,632	213,368
Operating expenditures	139,254	139,254	112,421	26,833
Capital outlay				
Total clerk of courts	1,248,254	1,248,254	1,008,053	240,201
Office of City Manager:				
Personal services	714,100	714,100	697,350	16,750
Operating expenditures	63,020	63,020	48,832	14,188
Capital outlay				
Total office of city manager	777,120	777,120	746,182	30,938
Law department:				
Personal services	919,900	919,900	912,195	7,705
Operating expenditures	183,900	183,900	115,280	68,620
Capital outlay				
Total law department	1,103,800	1,103,800	1,027,475	76,325
Finance department:				
Personal services	2,316,000	2,316,000	2,154,235	161,765
Operating expenditures	668,542	668,542	513,802	154,740
Capital outlay				
Total finance department	2,984,542	2,984,542	2,668,037	316,505
Administrative support:				
Personal services	773,800	773,800	700,614	73,186
Operating expenditures	265,317	263,576	182,880	80,696
Capital outlay				
Total administrative support	1,039,117	1,037,376	883,494	153,882

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$875,100	\$875,100	\$853,223	\$21,877
Operating expenditures	430,274	435,174	289,556	145,618
Capital outlay				
Total human resources department	1,305,374	1,310,274	1,142,779	167,495
Planning and development:				
Personal services	2,295,600	2,295,600	2,161,506	134,094
Operating expenditures	395,062	385,764	278,351	107,413
Capital outlay				
Total planning and development	2,690,662	2,681,364	2,439,857	241,507
Economic development:				
Personal services	160,100	160,100	158,044	2,056
Operating expenditures	1,822,600	5,770,381	5,642,335	128,046
Capital outlay				
Total economic development	1,982,700	5,930,481	5,800,379	130,102
Miscellaneous:				
Operating expenditures	1,069,415	1,069,388	768,496	300,892
Total miscellaneous	1,069,415	1,069,388	768,496	300,892
Total general government	15,833,035	19,774,650	18,017,826	1,756,824
Police:				
Personal services	13,687,400	13,687,400	12,904,914	782,486
Operating expenditures	2,435,845	2,670,284	2,006,187	664,097
Capital outlay	145,000	63,000	49,813	13,187
Total police	16,268,245	16,420,684	14,960,914	1,459,770
Fire:				
Personal services	13,070,600	9,871,962	9,569,819	302,143
Operating expenditures	2,170,797	2,179,792	1,621,798	557,994
Capital outlay	1,512,990	1,500,932	702,932	798,000
Total fire	16,754,387	13,552,686	11,894,549	1,658,137
Public works:				
Engineering department:				
Personal services	2,158,700	2,158,700	2,006,107	152,593
Operating expenditures	493,455	470,215	361,682	108,533
Capital outlay		17,500	17,449	51
Total engineering department	2,652,155	2,646,415	2,385,238	261,177
Street lighting:				
Operating expenditures	468,000	468,000	405,994	62,006
Total street lighting	468,000	468,000	405,994	62,006
Total public works	3,120,155	3,114,415	2,791,232	323,183
Transfers to other funds	18,112,000	18,455,272	11,818,597	6,636,675
Total charges to appropriations	70,087,822	71,317,707	59,483,118	11,834,589
Fund balance, December 31	\$40,581,426	\$36,885,541	\$52,728,026	\$15,842,485

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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,164,487	\$1,164,487	\$1,164,487	
Resources (inflows)				
Licenses and permits	14,000	14,000	16,940	\$2,940
Intergovernmental revenue	3,640,000	3,354,000	3,377,608	23,608
Refunds and reimbursements	226,000	300,000	308,892	8,892
Miscellaneous	10,000	10,000	9,509	(491)
Sale of city assets	75,000	88,000	88,520	520
Transfer from the general fund	2,631,000	2,631,000	1,685,000	(946,000)
Amounts available for appropriation	<u>7,760,487</u>	<u>7,561,487</u>	<u>6,650,956</u>	<u>(910,531)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	4,421,800	4,421,800	4,148,541	273,259
Operating expenditures	2,385,998	2,030,448	1,456,180	574,268
Capital outlay	<u>563,255</u>	<u>563,255</u>	<u>377,367</u>	<u>185,888</u>
Total charges to appropriations	<u>7,371,053</u>	<u>7,015,503</u>	<u>5,982,088</u>	<u>1,033,415</u>
Fund balance, December 31	<u>\$389,434</u>	<u>\$545,984</u>	<u>\$668,868</u>	<u>\$122,884</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$71,041	\$71,041	\$71,041	
Resources (inflows)				
Intergovernmental revenue	35,000	25,000	27,308	\$2,308
Charges for services	3,621,000	1,157,000	1,187,103	30,103
Refunds and reimbursements	37,000	108,000	125,390	17,390
Miscellaneous	55,000	74,000	80,523	6,523
Sale of city assets		14,000	23,454	9,454
Transfer from the general fund	7,938,000	8,148,000	7,275,800	(872,200)
Amounts available for appropriation	11,757,041	9,597,041	8,790,619	(806,422)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	7,095,300	5,625,300	5,348,961	276,339
Operating expenditures	4,324,065	3,750,737	3,257,540	493,197
Capital outlay	290,000	90,002	88,872	1,130
Total charges to appropriations	11,709,365	9,466,039	8,695,373	770,666
Fund balance, December 31	\$47,676	\$131,002	\$95,246	(\$35,756)

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,543,551	\$1,543,551	\$1,543,551	
Resources (inflows)				
Charges for services	5,125,000	26,000		(\$26,000)
Refunds and reimbursements		12,000	19,354	7,354
Miscellaneous	460,000	(9,000)	1,178	10,178
Amounts available for appropriation	7,128,551	1,572,551	1,564,083	(8,468)
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	1,330,500	403,200	357,367	45,833
Operating expenditures	4,188,694	854,847	406,850	447,997
Capital Outlay				
Total charges to appropriations	5,519,194	1,258,047	764,217	493,830
Fund balance, December 31	\$1,609,357	\$314,504	\$799,866	\$485,362

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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,200,606	\$1,200,606	\$1,200,606	
Resources (inflows)				
Intergovernmental revenue	1,337,997	1,337,997	737,031	(\$600,966)
Investment earnings	1,000	1,000	6,108	5,108
Refunds and reimbursements				
Miscellaneous	2,600	2,600	6,865	4,265
Sale of city assets	21,000	21,000		(21,000)
Transfer from the general fund				
Amounts available for appropriation	2,563,203	2,563,203	1,950,610	(612,593)
Charges to appropriations (outflows)				
General government	1,084,145	1,084,145	710,073	374,072
Capital improvements	314,060	314,060	25,269	288,791
Total charges to appropriations	1,398,205	1,398,205	735,342	662,863
Fund balance, December 31	\$1,164,998	\$1,164,998	\$1,215,268	\$50,270

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$377,087	\$377,087	\$377,087	
Resources (inflows)				
Charges for services	375,000	312,000	308,249	(\$3,751)
Investment earnings	16,000	6,091	6,196	105
Refunds and reimbursements				
Transfer from the general fund				
Amounts available for appropriation	768,087	695,178	691,532	(3,646)
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	24,000	24,000	15,982	8,018
Capital outlay	300,000	300,000		300,000
Total fire	324,000	324,000	15,982	308,018
Capital Improvements				
Transfer to the capital projects fund				
Total charges to appropriations	324,000	324,000	15,982	308,018
Fund balance, December 31	\$444,087	\$371,178	\$675,550	\$304,372

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

2020-2019: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

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

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

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

Changes in benefit terms:

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in assumptions:

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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

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

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

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

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

Changes in benefit terms

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

3. NET OPEB LIABILITY

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

Changes in assumptions:

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace

(both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate increased from 3.16% to 4.13%.

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

Changes in benefit terms:

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

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

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in assumptions:

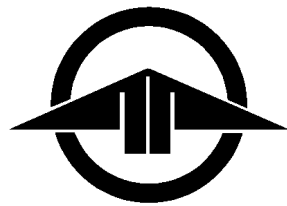
2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96% to 3.16%, the municipal bond rate changed from 3.71% to 2.75% and the health care cost trend rate changed from 10.00% to 10.50%.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time. The single discount rate changed from 3.85% to 3.96%.

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

Changes in benefit terms:

2020-2018: There were no changes in benefit terms for the period.



CITY OF KETTERING

**FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET DECEMBER 31, 2020

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$9,994	\$460,406	\$222,236	\$68,882	\$3,060,437	\$3,821,955
Receivables:						
Property taxes			320,000			320,000
Accounts						
Due from other governments	119,456		22,000		147,007	288,463
Prepaid items	295,272				448	295,720
Total assets	<u>\$424,722</u>	<u>\$460,406</u>	<u>\$564,236</u>	<u>\$68,882</u>	<u>\$3,207,892</u>	<u>\$4,726,138</u>
LIABILITIES						
Accounts payable	\$101			\$13,015	\$19,890	\$33,006
Due to the General fund					143,013	143,013
Accrued payroll			\$212,240		6,277	218,517
Unearned revenue					40,600	40,600
Total liabilities	<u>101</u>	<u>0</u>	<u>212,240</u>	<u>13,015</u>	<u>209,780</u>	<u>435,136</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes			320,000			320,000
Grants and other taxes	100,600		22,000		146,166	268,766
Total deferred inflows of resources	<u>100,600</u>		<u>342,000</u>		<u>146,166</u>	<u>588,766</u>
FUND BALANCES						
Nonspendable: Prepaids	295,272				448	295,720
Restricted for:						
Public safety			9,996		266,510	276,506
Road construction / Public works	28,749					28,749
Leisure services					47,636	47,636
Municipal court activities					2,100,105	2,100,105
Committed to:						
Social services					7,527	7,527
Public safety					14,925	14,925
Leisure services		460,406			414,795	875,201
Other purposes				55,867		55,867
Total fund balances	<u>324,021</u>	<u>460,406</u>	<u>9,996</u>	<u>55,867</u>	<u>2,851,946</u>	<u>3,702,236</u>
Total liab, defer inflows & fund bals	<u>\$424,722</u>	<u>\$460,406</u>	<u>\$564,236</u>	<u>\$68,882</u>	<u>\$3,207,892</u>	<u>\$4,726,138</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, 2020

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$1,419,000	\$241,461	(\$1,177,539)			
Charges for services				\$7,000	\$10,196	\$3,196
Fines and forfeits						
Investment earnings	1,000	1,425	425	5,000	4,949	(51)
Refunds and reimbursements						
Miscellaneous				3,000	780	(2,220)
Total revenues	<u>1,420,000</u>	<u>242,886</u>	<u>(1,177,114)</u>	<u>15,000</u>	<u>15,925</u>	<u>925</u>
EXPENDITURES						
Current:						
General government				20,000	10,158	9,842
Police						
Fire						
Public works	195,000	95,248	99,752			
Leisure services						
Capital improvements	<u>1,654,460</u>	<u>177,638</u>	<u>1,476,822</u>			
Total expenditures	<u>1,849,460</u>	<u>272,886</u>	<u>1,576,574</u>	<u>20,000</u>	<u>10,158</u>	<u>9,842</u>
Excess (deficiency) of revenues over expenditures	(429,460)	(30,000)	399,460	(5,000)	5,767	10,767
OTHER FINANCING SOURCES (USES)						
Transfers in	254,100	165,600	(88,500)			
Transfers out						
Sale of city assets						
Net change in fund balance	<u>(175,360)</u>	<u>135,600</u>	<u>310,960</u>	<u>(5,000)</u>	<u>5,767</u>	<u>10,767</u>
Fund balances--beginning	<u>188,421</u>	<u>188,421</u>		<u>454,639</u>	<u>454,639</u>	
Fund balances--ending	<u>\$13,061</u>	<u>\$324,021</u>	<u>\$310,960</u>	<u>\$449,639</u>	<u>\$460,406</u>	<u>\$10,767</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, 2020

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$309,000	\$312,028	\$3,028			
Intergovernmental revenue	45,000	43,947	(1,053)			
Charges for services				\$20,000	\$23,465	\$3,465
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				2,000	1,988	(12)
Miscellaneous						
Total revenues	<u>354,000</u>	<u>355,975</u>	<u>1,975</u>	<u>22,000</u>	<u>25,453</u>	<u>3,453</u>
EXPENDITURES						
Current:						
General government				209,666	133,698	75,968
Police	1,776,300	1,720,593	55,707			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,776,300</u>	<u>1,720,593</u>	<u>55,707</u>	<u>209,666</u>	<u>133,698</u>	<u>75,968</u>
Excess (deficiency) of revenues over expenditures	(1,422,300)	(1,364,618)	57,682	(187,666)	(108,245)	79,421
OTHER FINANCING SOURCES (USES)						
Transfers in	1,422,000	1,364,600	(57,400)	192,000	88,800	(103,200)
Transfers out						
Sale of city assets						
Net change in fund balance	<u>(300)</u>	<u>(18)</u>	<u>282</u>	<u>4,334</u>	<u>(19,445)</u>	<u>(23,779)</u>
Fund balances--beginning	10,014	10,014		75,312	75,312	
Fund balances--ending	<u>\$9,714</u>	<u>\$9,996</u>	<u>\$282</u>	<u>\$79,646</u>	<u>\$55,867</u>	<u>(\$23,779)</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, 2020

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$309,000	\$312,028	\$3,028
Intergovernmental revenue	\$3,915,485	\$3,579,729	(\$335,756)	5,379,485	3,865,137	(1,514,348)
Charges for services				27,000	33,661	6,661
Fines and forfeits	254,000	307,906	53,906	254,000	307,906	53,906
Investment earnings	8,019	5,464	(2,555)	14,019	11,838	(2,181)
Refunds and reimbursements	4,000	980	(3,020)	6,000	2,968	(3,032)
Miscellaneous	44,000	40,045	(3,955)	47,000	40,825	(6,175)
Total revenues	<u>4,225,504</u>	<u>3,934,124</u>	<u>(291,380)</u>	<u>6,036,504</u>	<u>4,574,363</u>	<u>(1,462,141)</u>
EXPENDITURES						
Current:						
General government	885,097	422,248	462,849	1,114,763	566,104	548,659
Police	426,434	151,553	274,881	2,202,734	1,872,146	330,588
Fire	3,434,261	3,423,522	10,739	3,434,261	3,423,522	10,739
Public works				195,000	95,248	99,752
Leisure services	31,357	7,605	23,752	31,357	7,605	23,752
Capital improvements	10,000	167	9,833	1,664,460	177,805	1,486,655
Total expenditures	<u>4,787,149</u>	<u>4,005,095</u>	<u>782,054</u>	<u>8,642,575</u>	<u>6,142,430</u>	<u>2,500,145</u>
Excess (deficiency) of revenues over expenditures	(561,645)	(70,971)	490,674	(2,606,071)	(1,568,067)	1,038,004
OTHER FINANCING SOURCES (USES)						
Transfers in	50,907	48,472	(2,435)	1,919,007	1,667,472	(251,535)
Transfers out						
Sale of city assets						
Net change in fund balance	(510,738)	(22,499)	488,239	(687,064)	99,405	786,469
Fund balances--beginning	2,874,445	2,874,445		3,602,831	3,602,831	
Fund balances--ending	<u>\$2,363,707</u>	<u>\$2,851,946</u>	<u>\$488,239</u>	<u>\$2,915,767</u>	<u>\$3,702,236</u>	<u>\$786,469</u>

DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$682,000	\$696,862	\$14,862
Intergovernmental revenue	96,000	98,148	2,148
Charges for services	938,000	924,746	(13,254)
Investment earnings	24,000	14,985	(9,015)
Refunds and reimbursements	40,000	40,000	
Total revenues	<u>1,780,000</u>	<u>1,774,741</u>	<u>(5,259)</u>
EXPENDITURES			
Current:			
General government	64,000	47,946	16,054
Leisure services			
Debt service:			
Principal	2,167,438	2,167,396	42
Interest	<u>715,782</u>	<u>713,531</u>	<u>2,251</u>
Total expenditures	<u>2,947,220</u>	<u>2,928,873</u>	<u>18,347</u>
Deficiency of revenues over expenditures	(1,167,220)	(1,154,132)	13,088
OTHER FINANCING SOURCES (USES)			
Transfers in	798,340	794,900	(3,440)
Refunding bonds issued			
Premium on bonds issued	219,581	219,581	
Payment to refunded bond escrow agent			
Net change in fund balance	<u>(149,299)</u>	<u>(139,651)</u>	<u>9,648</u>
Fund balances--beginning	<u>1,149,303</u>	<u>1,149,303</u>	
Fund balances--ending	<u><u>\$1,000,004</u></u>	<u><u>\$1,009,652</u></u>	<u><u>\$9,648</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, 2020

	Final Budget	Actual	Variance
REVENUES			
Property taxes			
Payments in lieu of taxes	\$398,000	\$404,253	\$6,253
Intergovernmental revenue	5,017,000	2,194,195	(2,822,805)
Investment earnings	270,000	274,221	4,221
Special assessments	696,000	693,931	(2,069)
Refunds and reimbursements	325,000	317,574	(7,426)
Miscellaneous			
Total revenues	<u>6,706,000</u>	<u>3,884,174</u>	<u>(2,821,826)</u>
EXPENDITURES			
Capital improvements	20,992,511	15,450,623	5,541,888
Total expenditures	<u>20,992,511</u>	<u>15,450,623</u>	<u>5,541,888</u>
Deficiency of revenues over expenditures	(14,286,511)	(11,566,449)	2,720,062
OTHER FINANCING SOURCES (USES)			
Transfers in	4,958,925	395,425	(4,563,500)
General obligation bonds issued	8,700,000	8,300,000	(400,000)
Premium on bonds issued	153,727	153,727	
Sale of City Assets			
Net change in fund balance	<u>(473,859)</u>	<u>(2,717,297)</u>	<u>(2,243,438)</u>
Fund balances--beginning	25,905,092	25,905,092	
Fund balances--ending	<u>\$25,431,233</u>	<u>\$23,187,795</u>	<u>(\$2,243,438)</u>

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$1,746,500	\$667,140	\$1,079,360
Street construction	7,907,020	4,873,651	3,033,369
Drainage	25,000	6,702	18,298
Parks and recreation	1,346,039	866,216	479,823
Tree planting and landscaping	62,750	54,962	7,788
Other	9,905,202	8,981,952	923,250
Total capital projects fund	<u>\$20,992,511</u>	<u>\$15,450,623</u>	<u>\$5,541,888</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Administrative Operations	Health Insurance	Totals
ASSETS			
Current Assets:			
Pooled cash and investments	\$1,400,420	\$6,633,995	\$8,034,415
Accounts receivable	1,005	67,304	68,309
Prepaid items	24,653		24,653
Inventory	278,035		278,035
Total current assets	1,704,113	6,701,299	8,405,412
Noncurrent Assets:			
Capital assets:			
Buildings and improvements	839,699		839,699
Machinery and equipment	3,422,328		3,422,328
Less: Accumulated depreciation	(2,884,841)		(2,884,841)
Total noncurrent assets	1,377,186		1,377,186
Total assets	3,081,299	6,701,299	9,782,598
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,594,151		1,594,151
Total deferred outflows	1,594,151		1,594,151
LIABILITIES			
Current Liabilities:			
Accounts payable	90,815	4,078	94,893
Accrued payroll	162,189		162,189
Accrued health claims		734,561	734,561
Total current liabilities	253,004	738,639	991,643
Noncurrent liabilities:			
Accrued vacation and sick benefits due within 1 year	227,427		227,427
Accrued vacation and sick benefits due in more than 1 year	227,426		227,426
Net pension liability	6,984,578		6,984,578
Total noncurrent liabilities	7,439,431		7,439,431
Total liabilities	7,692,435	738,639	8,431,074
DEFERRED INFLOWS OF RESOURCES			
Pensions	1,401,935		1,401,935
Total deferred inflows	1,401,935		1,401,935
NET POSITION			
Net investment in capital assets	1,377,186		1,377,186
Unrestricted	(5,796,106)	5,962,660	166,554
Total net position	(\$4,418,920)	\$5,962,660	\$1,543,740

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$6,546,715	\$7,493,092	\$14,039,807
Total operating revenues	6,546,715	7,493,092	14,039,807
OPERATING EXPENSES			
Personal services	5,131,036		5,131,036
Repairs and maintenance	1,023,542		1,023,542
Contractual services	751,436	7,706,068	8,457,504
Other materials and expenses	392,299		392,299
Depreciation	218,910		218,910
Total operating expenses	7,517,223	7,706,068	15,223,291
Operating income (loss)	(970,508)	(212,976)	(1,183,484)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	16,043	70,975	87,018
Change in net position	(954,465)	(142,001)	(1,096,466)
Total net position--beginning	(3,464,455)	6,104,661	2,640,206
Total net position--ending	(\$4,418,920)	\$5,962,660	\$1,543,740

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$6,526,210	\$7,429,844	\$13,956,054
Cash paid to suppliers for goods or services	(882,103)	(7,619,635)	(8,501,738)
Cash paid to employees for services	(5,082,756)		(5,082,756)
Net cash provided (used) by operating activities	561,351	(189,791)	371,560
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(568,539)		(568,539)
Sale of capital assets	23,383		23,383
Net cash used by capital and related financing activities	(545,156)		(545,156)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	16,043	70,975	87,018
Net cash provided by investing activities	16,043	70,975	87,018
Net increase (decrease) in cash	32,238	(118,816)	(86,578)
Cash at beginning of year	1,368,182	6,752,811	8,120,993
Cash at end of year	\$1,400,420	\$6,633,995	\$8,034,415
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$970,508)	(\$212,976)	(\$1,183,484)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	218,910		218,910
Increase (decrease) in net pension and OPEB liability	277,310		277,310
(Increase) decrease in deferred outflows - pension and OPEB	(65,993)		(65,993)
Increase (decrease) in deferred inflows - pension and OPEB	1,099,345		1,099,345
(Increase) decrease in receivables	2,878	(63,240)	(60,362)
(Increase) decrease in inventories	56,952		56,952
Increase (decrease) in accounts payable	(77,310)	(7,936)	(85,246)
Increase (decrease) in accrued health claims		94,361	94,361
Net (increase) decrease in other operating net position	19,767		19,767
Net cash provided (used) by operating activities	\$561,351	(\$189,791)	\$371,560

CUSTODIAL FUNDS**COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2020**

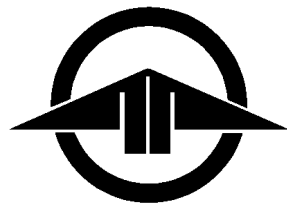
	Municipal Court	Miscellaneous	Totals
ASSETS			
Pooled cash and investments		\$4,508	\$4,508
Investments with fiscal agent, at fair value:			
Other investments	\$113,532		113,532
Total assets	113,532	4,508	118,040
LIABILITIES			
Accounts payable			
Total liabilities	0	0	0
NET POSITION			
Restricted for:			
Individuals, organizations, and other governments	113,532	4,508	118,040
Total net position	\$113,532	\$4,508	\$118,040

**COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Municipal Court	Miscellaneous	Totals
ADDITIONS			
Municipal court collections	\$1,294,282		\$1,294,282
Miscellaneous		\$11,483	11,483
Total additions	1,294,282	11,483	1,305,765
DEDUCTIONS			
Municipal court disbursements	1,333,261		1,333,261
Miscellaneous payments		45,684	45,684
Total deductions	1,333,261	45,684	1,378,945
Net change in fund balance	(38,979)	(34,201)	(73,180)
Fund balances--beginning	152,511	38,709	191,220
Fund balances--ending	\$113,532	\$4,508	\$118,040

DEBT SCHEDULE
DECEMBER 31, 2020

PURPOSE	Schedule of Bonds and Notes				Amount Outstanding	Payments Due in 2021	
	Date Issued	Interest Rate	Maturity Date	Amount Issued		Principal	Interest
General Obligation Bonds:							
Court facility refunding	2/4/2015	1.0-4.0	12/1/2024	\$2,215,000	\$1,015,000	\$245,000	\$25,600
Court facility refunding premium					31,308		
Recreation & parks refunding	12/17/2019	2.12-2.66	12/1/2028	6,825,000	6,135,000	700,000	145,830
Rec & parks refunding premium					72,951		
Fire station improvement	2/4/2015	1.0-4.0	12/1/2034	15,500,000	11,755,000	690,000	364,150
Fire station improvement premium					144,913		
Police station improvement	2/12/2020	2.0-3.0	12/1/2039	8,300,000	7,930,000	340,000	174,550
Police station improvement premium					354,643		
Total general obligation bonds					<u>27,438,815</u>	<u>1,975,000</u>	<u>710,130</u>
Notes from Direct Borrowings:							
Ohio public works commission:							
Spaulding Road	12/1/2001	0.00	1/1/2023	1,520,719	190,090	76,036	0
Bigger Road	12/1/2001	3.00	1/1/2024	511,071	112,721	31,016	3,151
County Line Widening	12/31/2002	0.00	7/1/2023	686,098	102,914	34,305	0
Total notes from Direct Borrowings					<u>405,725</u>	<u>141,357</u>	<u>3,151</u>
Total					<u>\$27,844,540</u>	<u>\$2,116,357</u>	<u>\$713,281</u>



CITY OF KETTERING

STATISTICAL SECTION

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

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

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

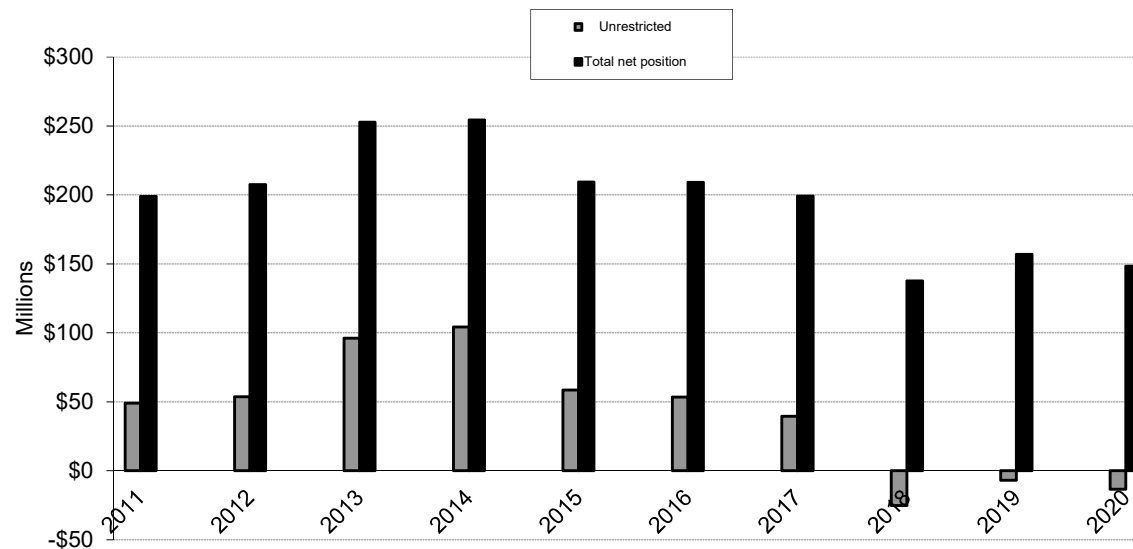
NET POSITION BY CATEGORY

LAST TEN YEARS (*accrual basis of accounting*)

	Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$134,783,717	\$138,528,286	\$141,039,021	\$145,363,355	\$145,786,739	\$150,978,928	\$154,876,124	\$157,924,500	\$158,460,521	\$156,490,367
Restricted for:										
Debt service	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750	1,149,303	1,009,652
Social services	1,858,591	1,412,417	1,654,973	1,364,088	1,394,703	1,219,193	1,303,652	1,286,271	1,283,651	1,295,870
Public safety	10,725,180	11,231,818	11,346,847	770,562	516,345	432,816	316,753	380,171	396,502	617,368
Leisure services	16,073	35,726	46,416	32,138	54,890	52,356	57,939	49,820	47,492	47,636
Municipal court activities	1,537,730	1,632,059	1,624,709	1,638,022	1,681,096	1,744,044	1,872,578	1,902,002	2,040,842	2,100,105
Other purposes	158,709	98,742	149,788	152,478	209,169	96,706	139,230	186,229	275,921	129,349
Unrestricted	48,971,606	53,724,515	96,058,893	104,189,524	58,559,952	53,535,178	39,557,527	(25,181,828)	(6,774,552)	(13,294,368)
Total net position	<u>\$198,924,517</u>	<u>\$207,530,942</u>	<u>\$252,755,268</u>	<u>\$254,412,007</u>	<u>\$209,319,190</u>	<u>\$209,143,596</u>	<u>\$199,148,479</u>	<u>\$137,616,915</u>	<u>\$156,879,680</u>	<u>\$148,395,979</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*)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
General government	\$13,824,699	\$14,533,955	\$14,294,069	\$15,387,775	\$15,594,623	\$15,634,860	\$17,835,211	\$19,692,377	\$21,602,096	\$24,037,345
Police	14,346,393	14,631,811	14,806,948	15,015,613	15,855,597	17,158,438	15,327,428	19,660,703	4,716,597	20,021,648
Fire	10,533,420	10,903,086	11,303,884	11,574,483	12,238,987	14,562,573	19,797,057	18,131,408	1,891,292	18,873,721
Public works	13,388,960	14,186,561	13,726,430	14,548,773	14,824,412	14,974,876	17,497,488	16,800,509	18,628,436	17,479,111
Leisure services	13,840,098	14,030,681	14,949,267	15,285,794	15,228,586	17,396,893	19,179,484	18,619,650	20,869,470	10,962,952
Interest on long term debt	635,755	585,092	547,172	526,129	928,772	840,510	799,738	745,258	593,985	679,438
Total expenses	66,569,325	68,871,186	69,627,770	72,338,567	74,670,977	80,568,150	90,436,406	93,649,905	68,301,876	92,054,215
Program Revenues										
Charges for services:										
General government	2,428,295	2,530,640	2,377,070	2,321,931	2,676,780	2,600,210	2,585,743	2,607,383	2,419,396	1,750,293
Fire	1,638,795	1,529,866	1,444,912	1,511,654	1,604,628	1,618,549	1,188,940	1,402,403	1,556,348	1,293,257
Leisure services	6,650,937	6,999,653	7,222,684	7,643,607	7,523,924	8,187,761	6,928,426	7,494,332	8,038,621	1,187,103
Other activities	40,415	48,366	57,993	47,542	38,660	37,977	47,917	49,219	38,950	44,871
Operating grants and contributions	725,501	1,431,456	1,790,624	1,434,454	2,188,592	1,712,929	1,516,856	1,556,208	1,446,630	4,884,548
Capital grants and contributions:										
Public works	9,465,720	4,812,912	5,000,557	2,922,365	1,290,531	3,950,236	4,052,442	1,871,684	4,050,782	3,026,141
Other activities	584,159	771,398	271,331	72,935	26,296	20,815	0	0	0	0
Total program revenues	21,533,822	18,124,291	18,165,171	15,954,488	15,349,411	18,128,477	16,320,324	14,981,229	17,550,727	12,186,213
Net (Expense)/Revenue ¹										
General government	(10,483,009)	(10,504,831)	(10,730,626)	(12,330,676)	(11,520,415)	(11,958,063)	(14,396,714)	(16,138,968)	(18,392,872)	(20,873,001)
Police	(14,293,832)	(14,558,780)	(14,768,131)	(14,957,063)	(15,802,411)	(17,124,082)	(15,254,234)	(19,623,316)	(4,648,370)	(19,983,855)
Fire	(8,894,525)	(9,373,220)	(9,858,972)	(10,060,676)	(10,600,358)	(12,941,202)	(18,604,992)	(16,713,639)	(294,184)	(14,227,627)
Public works	(3,917,494)	(9,360,343)	(8,703,648)	(11,616,128)	(13,511,013)	(11,009,852)	(13,427,286)	(14,907,715)	(14,561,904)	(14,436,030)
Leisure services	(6,810,888)	(6,364,629)	(6,854,050)	(6,893,407)	(6,958,597)	(8,565,964)	(11,633,118)	(10,539,780)	(12,259,834)	(9,668,051)
Interest on long term debt	(635,755)	(585,092)	(547,172)	(526,129)	(928,772)	(840,510)	(799,738)	(745,258)	(593,985)	(679,438)
Total net expense	(45,035,503)	(50,746,895)	(51,462,599)	(56,384,079)	(59,321,566)	(62,439,673)	(74,116,082)	(78,668,676)	(50,751,149)	(79,868,002)
General Revenues										
Taxes										
Income taxes	36,303,996	42,345,005	39,240,269	42,905,808	44,596,261	47,782,561	48,736,262	47,490,344	51,649,781	51,868,398
Property taxes, levied for general purposes	7,920,953	7,278,599	7,161,176	5,821,692	5,585,311	5,672,208	5,645,036	6,134,096	6,191,991	6,234,165
Property taxes, levied for debt service	975,771	897,462	883,105	763,381	735,848	747,707	744,124	808,535	816,126	696,862
Other taxes	10,292,717	6,253,383	47,022,663	4,782,894	3,897,584	3,771,345	3,713,967	3,745,264	4,644,136	5,359,373
Investment earnings	629,983	791,959	305,672	563,252	651,249	1,038,317	1,022,835	1,539,998	2,156,124	942,849
Refunds & reimbursements	1,271,393	1,801,694	1,938,118	1,936,888	1,798,358	1,736,932	2,321,113	2,108,651	2,144,554	3,606,048
Miscellaneous	229,648	186,924	135,922	1,266,903	1,576,009	1,515,009	1,937,628	3,181,128	2,411,202	2,676,606
Total general revenues	57,624,461	59,555,026	96,686,925	58,040,818	58,840,620	62,264,079	64,120,965	65,008,016	70,013,914	71,384,301
Change in Net Position	\$12,588,958	\$8,808,131	\$45,224,326	\$1,656,739	(\$480,946)	(\$175,594)	(\$9,995,117)	(\$13,660,660)	\$19,262,765	(\$8,483,701)

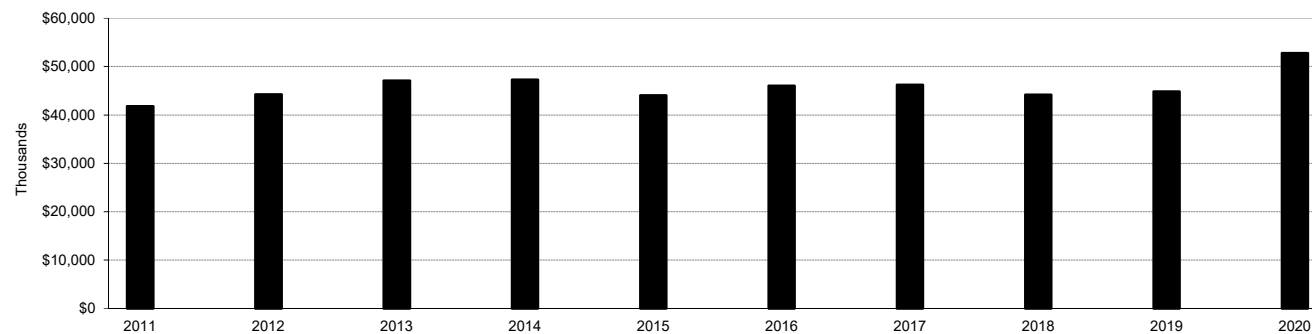
(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved										
Unreserved										
Nonspendable	\$23,113	\$16,988	\$18,449	\$256,066	\$1,458,395	\$3,018,822	\$6,685,095	\$5,827,996	\$6,795,622	\$3,298,249
Committed	621,688	1,517,592	2,178,599	2,570,595	5,758,268	4,676,778	1,997,648	2,285,698	1,788,495	2,337,810
Assigned					5,752,730	5,056,600	5,689,530	6,492,300	2,644,380	3,479,850
Unassigned	41,119,258	42,706,182	44,877,690	44,395,102	31,021,920	33,259,603	31,806,730	29,530,825	33,574,751	43,612,117
Total general fund	<u>\$41,764,059</u>	<u>\$44,240,762</u>	<u>\$47,074,738</u>	<u>\$47,221,763</u>	<u>\$43,991,313</u>	<u>\$46,011,803</u>	<u>\$46,179,003</u>	<u>\$44,136,819</u>	<u>\$44,803,248</u>	<u>\$52,728,026</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue funds										
Debt service fund										
Capital project fund										
Nonspendable, reported in:										
Special revenue funds	\$149,325	\$147,470	\$205,180	\$493,470	\$260,042	\$304,729	\$239,859	\$197,556	\$328,091	\$561,378
Restricted, reported in:										
Special revenue funds	13,930,248	14,101,831	14,275,357	3,693,414	3,657,802	3,271,410	3,421,958	3,699,296	3,840,713	3,668,264
Debt service fund	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750	1,149,303	1,009,652
Capital project fund					5,519,305	59,300				292,647
Committed, reported in:										
Special revenue funds	2,645,510	3,169,632	3,660,390	4,547,399	4,970,215	4,829,640	3,200,811	3,645,993	3,790,799	2,927,392
Capital project fund	4,161,787	2,022,492	41,243,102	46,848,146	47,224,420	41,227,972	35,927,245	29,056,422	25,905,092	22,895,148
Unassigned, reported in:										
Special revenue funds	(501,760)		(242,312)	(111,184)						
Total all other governmental funds	<u>\$21,258,021</u>	<u>\$20,308,804</u>	<u>\$59,976,338</u>	<u>\$56,373,085</u>	<u>\$62,748,080</u>	<u>\$50,777,426</u>	<u>\$43,814,549</u>	<u>\$37,669,017</u>	<u>\$35,013,998</u>	<u>\$31,354,481</u>

General Fund Balance

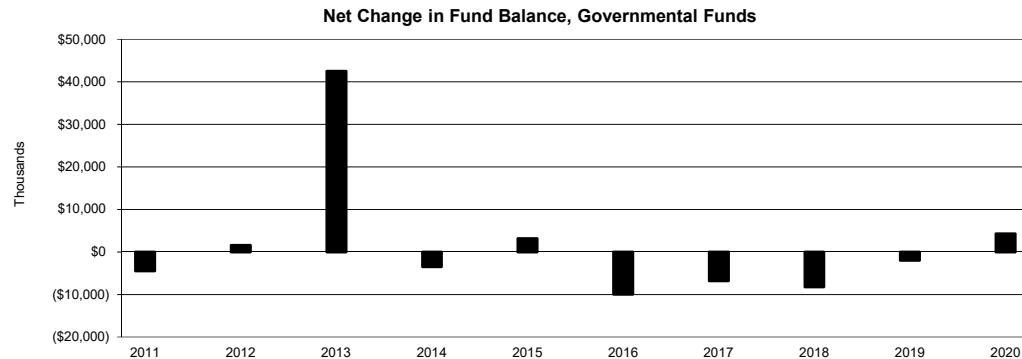


CITY OF KETTERING, OHIO

SCHEDULE 4

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
Income taxes	\$37,392,845	\$39,891,659	\$39,386,072	\$41,624,574	\$44,120,027	\$46,876,012	\$48,734,275	\$47,663,176	\$51,507,371	\$51,818,582
Property taxes	8,970,024	8,131,160	8,043,981	7,649,073	6,321,159	6,419,914	6,389,161	6,942,631	7,008,116	6,931,027
Licenses and permits	459,696	525,190	538,267	524,535	716,026	639,347	605,589	751,369	762,716	486,764
Intergovernmental revenue	20,011,549	11,090,451	50,075,115	7,781,607	6,783,492	8,701,687	8,372,958	6,643,809	8,925,688	12,550,337
Charges for services	8,352,103	8,794,951	8,937,684	9,349,002	9,370,812	9,978,265	8,638,316	9,223,695	9,727,383	2,600,875
Fines and forfeits	1,828,209	1,837,695	1,640,474	1,586,868	1,732,868	1,719,753	1,771,799	1,662,274	1,522,604	1,127,622
Investment earnings	629,984	791,959	305,673	563,252	651,249	1,038,318	1,022,836	1,539,999	2,156,124	942,849
Special assessments	924,751	965,122	961,250	934,463	1,015,407	1,080,565	1,220,260	1,141,200	1,340,996	1,106,950
Refunds and reimbursements	2,181,056	2,227,342	2,884,888	2,674,641	2,497,078	2,386,191	2,997,010	2,853,118	2,574,769	4,629,801
Miscellaneous	523,814	754,921	737,739	812,423	1,146,765	1,056,410	1,123,573	1,049,927	1,148,121	646,476
Total revenues	81,274,031	75,010,450	113,511,143	73,500,438	74,354,883	79,896,462	80,875,777	79,471,198	86,673,888	82,841,283
EXPENDITURES										
Current:										
General government	12,050,675	12,553,463	12,815,451	13,863,291	14,845,101	14,057,455	14,866,775	16,807,608	16,642,473	19,341,949
Police	14,398,245	14,822,534	14,957,275	15,117,925	16,152,056	16,408,363	16,400,519	16,696,824	17,032,229	16,833,060
Fire	10,357,123	10,794,655	10,935,461	12,648,860	12,324,248	12,709,452	14,301,238	14,656,578	14,414,999	15,334,053
Public works	8,631,543	8,395,339	8,314,119	9,072,077	9,664,515	9,365,153	9,559,765	9,610,546	9,738,693	8,868,568
Leisure services	12,450,737	12,551,728	13,361,686	13,727,217	13,727,146	15,247,453	14,576,209	14,995,154	16,337,811	9,467,195
Capital improvements	25,101,663	13,270,898	9,546,221	11,342,544	18,193,929	20,114,999	16,332,880	14,276,797	13,200,639	15,653,697
Debt service:										
Principal	1,062,000	1,092,888	848,799	869,735	1,440,945	1,547,660	1,587,541	1,633,580	1,684,645	2,167,396
Interest	637,150	599,394	559,885	539,555	824,584	874,380	834,945	779,606	734,691	713,531
Total expenditures	84,689,136	74,080,899	71,338,897	77,181,204	87,172,524	90,324,915	88,459,872	89,456,693	89,786,180	88,379,449
Excess (deficiency) of revenues over expenditures	(3,415,105)	929,551	42,172,246	(3,680,766)	(12,817,641)	(10,428,453)	(7,584,095)	(9,985,495)	(3,112,292)	(5,538,166)
OTHER FINANCING SOURCES (USES)										
Transfers in	10,508,166	11,903,130	10,434,938	24,189,786	17,163,833	14,561,565	17,159,382	17,136,977	17,366,791	11,818,597
Transfers out	(11,658,166)	(11,903,130)	(10,434,938)	(24,189,786)	(17,163,833)	(14,561,565)	(17,159,382)	(17,136,977)	(17,366,791)	(11,818,597)
General obligation debt issuance					15,734,713				65,621	8,673,308
Sale of city assets	120,426	597,935	329,264	224,538	227,473	478,289	788,418	1,797,781	1,058,081	1,130,119
Net change in fund balance	(\$4,444,679)	\$1,527,486	\$42,501,510	(\$3,456,228)	\$3,144,545	(\$9,950,164)	(\$6,795,677)	(\$8,187,714)	(\$1,988,590)	\$4,265,261
Debt service as a percentage of noncapital expenditures	2.79%	2.72%	2.25%	2.18%	3.31%	3.42%	3.23%	3.13%	3.08%	3.95%

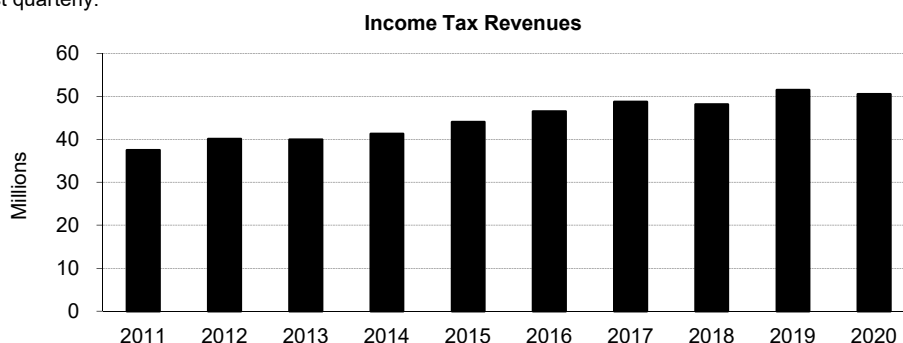


INCOME TAX BY PAYER TYPE AND INCOME TAX RATE
LAST TEN YEARS (*cash basis of accounting*)

Year	Individual		Total	Corporate	Partnership	Total	Income Tax Rate
	Withholding	Non-withholding	Individual				
2011	29,645,857	4,084,942	33,730,799	2,704,278	1,013,804	37,448,881	2.25%
2012	30,426,208	4,607,103	35,033,311	3,489,120	1,522,725	40,045,156	2.25%
2013	30,215,329	4,921,938	35,137,267	3,192,769	1,570,281	39,900,317	2.25%
2014	31,236,752	4,837,510	36,074,262	3,546,291	1,621,034	41,241,587	2.25%
2015	32,904,326	5,324,890	38,229,216	4,202,997	1,558,207	43,990,420	2.25%
2016	34,344,622	5,749,565	40,094,187	4,747,831	1,676,035	46,518,053	2.25%
2017	36,317,008	5,029,203	41,346,211	5,520,450	1,823,618	48,690,279	2.25%
2018	37,228,787	4,238,420	41,467,207	5,181,087	1,501,594	48,149,888	2.25%
2019	38,530,755	5,157,019	43,687,774	5,771,652	2,034,677	51,494,103	2.25%
2020	38,120,050	5,051,680	43,171,730	5,425,999	1,883,439	50,481,168	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*)

	2020					
	Individual		Total	Corporate	Partnership	Total
	Withholding	Non-withholding	Individual			
Top Ten	16,007,949	253,948	16,261,897	4,211,682	1,297,842	21,771,421
All Others	22,112,101	4,797,732	26,909,833	1,214,317	585,597	28,709,747
Top Ten % of Total	42.0%	5.0%	37.7%	77.6%	68.9%	43.1%

	2010					
	Individual		Total	Corporate	Partnership	Total
	Withholding	Non-withholding	Individual			
Top Ten	10,867,185	192,052	11,059,237	1,961,399	666,448	13,687,084
All Others	17,806,252	3,678,957	21,485,209	750,662	456,119	22,691,990
Top Ten % of Total	37.9%	5.0%	34.0%	72.3%	59.4%	37.6%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Obligation Bonds	\$14,204,735	\$13,425,000	\$12,750,000	\$12,055,000	\$26,325,000	\$25,337,079	\$23,876,912	\$22,371,747	\$20,786,469	\$27,438,815
Percent of estimated actual property value	0.41%	0.42%	0.40%	0.38%	0.87%	0.84%	0.79%	0.69%	0.63%	0.83%
Per capita	253	239	227	215	469	451	425	398	370	489
Special Assessment Bonds	140,265									
Promissory Notes	1,928,915	1,756,027	1,582,228	1,407,493	1,236,548	1,073,888	916,347	757,767	598,122	405,725
Total Gross Indebtedness	16,273,915	15,181,027	14,332,228	13,462,493	27,561,548	26,410,967	24,793,259	23,129,514	21,384,591	27,844,540
Percentage of personal income	0.85%	0.77%	0.73%	0.67%	1.33%	1.21%	1.10%	1.03%	0.88%	1.16%
Per capita	290	270	255	240	491	470	441	412	381	496
Less debt outside limitations:										
Special Assessment Debt	140,265									
Promissory Notes	1,928,915	1,756,027	1,582,228	1,407,493	1,236,548	1,073,888	916,347	757,767	598,122	405,725
Less debt service fund balance	872,911	867,379	834,621	901,840	1,116,296	1,084,375	1,024,676	1,069,750	1,149,303	1,009,652
Net debt within limitations for both										
Voted and Unvoted debt	13,331,824	12,557,621	11,915,379	11,153,160	25,208,704	24,252,704	22,852,236	21,301,997	19,637,166	26,429,163
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	128,476,660	117,348,942	117,738,192	116,866,227	111,440,775	111,308,207	111,698,952	119,810,981	121,128,614	122,057,309
Legal debt margin for Voted and Unvoted debt	\$115,144,836	\$104,791,321	\$105,822,813	\$105,713,067	\$86,232,071	\$87,055,503	\$88,846,716	\$98,508,984	\$101,491,448	\$95,628,146
Net debt within limitations for both Voted and										
Unvoted debt as a percentage of debt limit	10.38%	10.70%	10.12%	9.54%	22.62%	21.79%	20.46%	17.78%	16.21%	21.65%
Net debt within limitations for both										
Voted and Unvoted limitation	\$13,331,824	\$12,557,621	\$11,915,379	\$11,153,160	\$25,208,704	\$24,252,704	\$22,852,236	\$21,301,997	\$19,637,166	\$26,429,163
Less voted debt	11,160,000	10,685,000	10,190,000	9,685,000	9,160,000	8,763,145	8,181,157	7,574,170	6,907,070	6,207,951
Net debt within limitations for Unvoted debt	2,171,824	1,872,621	1,725,379	1,468,160	16,048,704	15,489,559	14,671,079	13,727,827	12,730,096	20,221,212
Debt limitation for Unvoted debt										
5.5% of assessed valuation	67,297,298	61,468,493	61,672,386	61,215,643	58,373,739	58,304,299	58,508,975	62,758,133	63,448,322	63,934,781
Legal debt margin for Unvoted debt	\$65,125,474	\$59,595,872	\$59,947,007	\$59,747,483	\$42,325,035	\$42,814,740	\$43,837,896	\$49,030,306	\$50,718,226	\$43,713,569
Net debt within limitations for Unvoted										
debt as a percentage of debt limit	3.23%	3.05%	2.80%	2.40%	27.49%	26.57%	25.07%	21.87%	20.06%	31.63%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2020

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Kettering¹</u>	<u>Amount Applicable to City of Kettering</u>
City of Kettering	\$27,844,540	100.0%	\$27,844,540
Overlapping debt:			
Kettering City School District	50,655,000	90.5%	45,842,775
Montgomery County	9,350,000	12.0%	1,122,000
Beavercreek Local School District	64,523,465	0.8%	516,188
Total overlapping debt	<u>124,528,465</u>		<u>47,480,963</u>
Total direct and overlapping debt	<u>\$152,373,005</u>		<u>\$75,325,503</u>

Source: Individual jurisdictions.

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

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

SCHEDULE 9

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

<u>Year</u>	<u>Population¹</u>	<u>Personal Income²</u>	<u>Per capita Personal Income^{1,2}</u>	<u>Unemployment Rate³</u>	<u>Avg Sale Price for a Single Family Home⁴</u>	<u>Total Assessed Property Value⁵</u>	<u>Estimated Actual Property Value⁵</u>
2011	56,163	1,909,460,933	33,999	8.2%	108,793	1,223,587,240	3,490,854,036
2012	56,163	1,960,626,848	34,910	7.0%	110,466	1,117,608,970	3,187,939,565
2013	56,163	1,960,626,848	34,910	7.1%	114,781	1,118,117,290	3,189,050,388
2014	56,163	2,012,910,298	35,841	5.1%	116,414	1,113,011,690	3,173,886,488
2015	56,163	2,077,748,043	36,995	4.1%	134,150	1,061,340,710	3,026,043,126
2016	56,163	2,179,108,736	38,800	4.1%	139,320	1,060,078,160	3,022,293,674
2017	56,163	2,247,155,918	40,011	4.2%	142,952	1,063,799,540	3,032,476,036
2018	56,163	2,253,732,019	40,128	3.9%	149,596	1,141,056,960	3,252,936,550
2019	56,163	2,437,737,193	43,405	3.6%	162,745	1,153,605,850	3,288,359,328
2020	56,163	2,408,942,417	42,892	4.6%	175,229	1,162,450,560	3,313,043,536

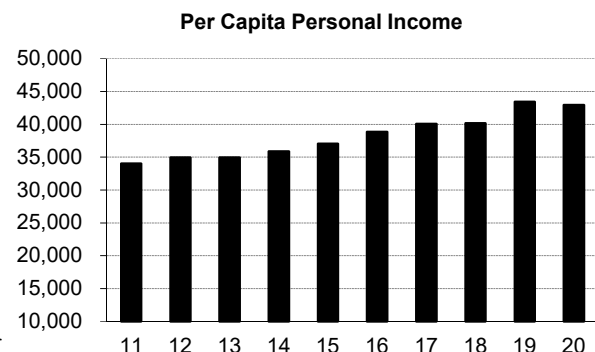
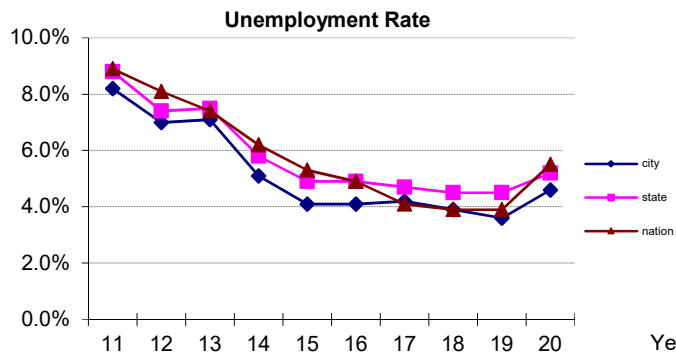
(1) 2000 & 2010 United States Census Bureau; (2020 Census results delayed due to COVID-19)

(2) City of Kettering, Ohio, Finance Department

(3) Ohio Department of Job and Family Services

(4) Dayton Area Board of Realtors, Dayton, Ohio

(5) Montgomery County, Ohio, Auditor's Office



PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

2020			2010		
Employer	Employees	% of Total City Employment	Employer	Employees	% of Total City Employment
Kettering Medical Center	3,570	12.31%	Kettering Medical Center	3,300	13.04%
Synchrony Financial	1,900	6.55%	GE Money ²	1,400	5.53%
Reynolds & Reynolds Company	1,350	4.66%	Reynolds & Reynolds Company	1,300	5.14%
Kettering City Schools	1,208	4.17%	Kettering City Schools	1,032	4.08%
Mast Global Digital ¹	1,000	3.45%	Limited Brands Inc ¹	1,000	3.95%
Tenneco	800	2.76%	City of Kettering	900	3.56%
City of Kettering	582	2.01%	Eastman Kodak Company	703	2.78%
Meijer Inc.	550	1.90%	Kroger	630	2.49%
Spectrum	500	1.72%	Meijer Inc.	300	1.19%
Total	11,460	39.52%	Total	10,565	41.76%

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

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

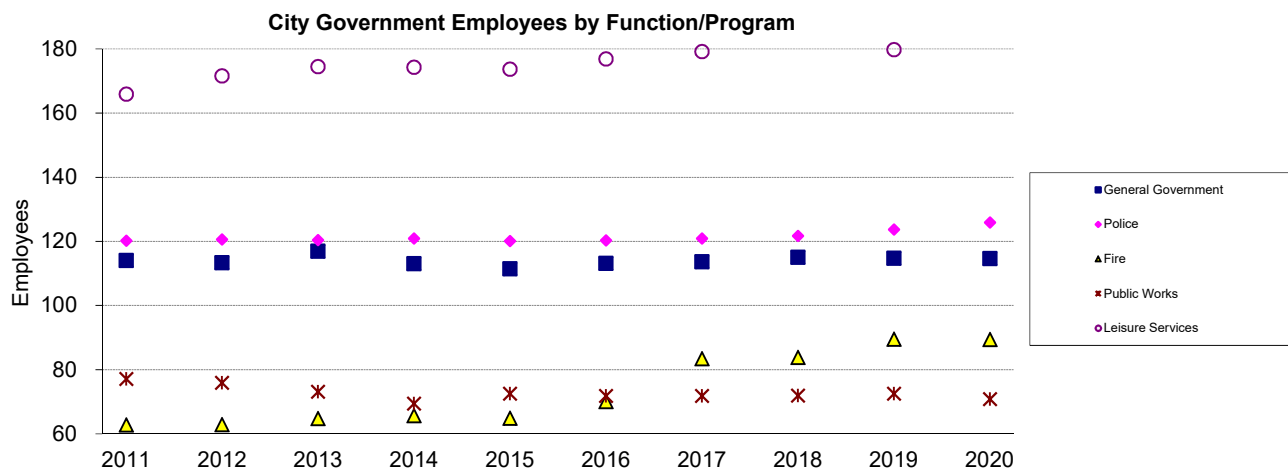
(2) GE Money is now Synchrony Financial

SCHEDULE 11

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

Function/program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	114.0	113.3	116.9	113.0	111.4	113.1	113.6	115.0	114.7	114.6
Police	120.2	120.6	120.4	120.9	120.1	120.3	120.9	121.7	123.7	125.9
Fire	62.7	62.9	64.7	65.7	64.8	70.0	83.4	83.7	89.5	89.4
Public Works	77.1	75.9	73.2	69.4	72.5	71.8	71.9	72.0	72.5	70.8
Leisure Services	165.9	171.5	174.5	174.3	173.7	176.9	179.1	180.1	179.8	181.6
Total	539.8	544.2	549.6	543.2	542.5	552.1	568.9	572.5	580.2	582.2

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

<u>Function/program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government										
Positions filled ¹	14	21	26	24	38	38	36	22	24	11
Permits issued ²	2,773	2,520	2,705	3,249	2,679	3,180	3,975	3,304	3,655	3,113
Inspections performed ²	5,933	6,100	6,118	6,115	6,260	7,024	8,424	8,374	8,399	4,527
CDBG loan applications ³	44	60	36	51	75	62	58	33	34	141
Payroll checks processed ⁴	20,629	20,873	20,712	21,287	22,310	21,350	21,446	21,212	23,645	16,025
Purchase orders issued ⁵	2,158	2,000	2,051	2,030	1,984	1,880	2,156	1,943	2,063	1,621
Ordinances & resolutions ⁶	175	201	162	172	185	182	210	178	175	135
Court cases ⁷	20,049	18,640	17,630	16,710	14,970	15,739	15,499	14,338	12,428	8,659
Police										
Criminal arrests ⁸	3,171	3,400	3,201	3,059	3,299	4,059	4,414	3,905	3,227	1,306
Calls for service ⁹	67,331	66,441	64,962	60,686	61,085	68,614	73,752	60,348	54,079	41,305
Fire										
Fire alarms ¹⁰	1,960	1,786	1,990	1,664	1,851	1,719	1,816	1,874	1,742	1,880
Medic alarms ¹⁰	5,557	5,565	5,490	6,192	6,596	6,925	7,109	7,096	7,293	6,498
Public Works										
Asphalt resurfacing (miles) ¹¹	14	9	10	10	9	18	18	14	10	9
Truckloads of leaves picked-up ¹²	1,388	1,298	1,540	1,660	1,525	1,358	1,166	1,730	1,432	1,300
Tons of snow melting salt used ¹²	4,708	1,603	5,529	5,397	3,808	3,655	1,222	5,225	4,575	1,653
Leisure Services										
Recreation complex attendance ¹³	981,121	1,046,817	1,009,534	927,240	887,967	835,631	787,307	823,675	739,612	284,600
Fraze Pavilion tickets sold ¹³	92,224	90,343	97,975	97,958	99,462	92,317	77,393	74,358	80,341	0

(1) City of Kettering, Human Resources Department. Positions filled are full time positions.

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

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

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

(5) City of Kettering, Finance Department.

(6) City of Kettering, Law Department

(7) City of Kettering, Municipal Court

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

(9) City of Kettering, Police Department.

(10) City of Kettering, Fire Department.

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

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

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

SCHEDULE 13

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

<u>Function/program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government										
Square footage occupied ¹	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933
Police										
Stations ¹	1	1	1	1	1	1	1	1	1	1
Square footage of building ¹	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations ¹	7	7	6	6	5	5	5	5	5	5
Public Works										
Miles of roads ²	246	247	248	248	248	248	248	248	248	248
Miles of storm sewer/channel ²	175	175	175	175	176	176	176	176	177	177
Leisure Services										
Number of parks ³	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) ³	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft ¹	161,119	161,119	161,119	161,119	161,119	161,119	161,119	161,119	161,119	161,119

(1) City of Kettering, Facilities Department

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

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